AGENDA

PANOCHE WATER DISTRICT
REGULAR BOARD OF DIRECTORS MEETING
March 9, 2021 – 9:00 a.m.

JOIN THE OPEN SESSION MEETING FROM YOUR COMPUTER, TABLET OR SMARTPHONE THROUGH THE FOLLOWING MEANS:

https://global.gotomeeting.com/join/722790221

AND PLEASE DIAL

Conference call in number: (844) 783-6236 Passcode: 209 364 6136

PRESIDENT'S ANNOUNCEMENT: Pursuant to Government Code Section 54952.3, let it be known that Board Members receive no compensation or stipend for simultaneous or serial order meetings of the Panoche Water District, Panoche Drainage District, Panoche Financing Authority, and/or the Panoche Resource Conservation District.

1. **CALL TO ORDER**

2. **REVIEW OF AGENDA:** The Board will consider corrections and/or additions to the Agenda of items requiring immediate action that came to the attention of the Board after the Agenda was posted.

3. **ROLL CALL:** A quorum will be confirmed and the Board will consider appointment of an acting Officer(s) in the event the President, Vice-President, and/or Secretary is absent from the meeting.

4. **POTENTIAL CONFLICTS OF INTEREST:** Any Board member who has a potential conflict of interest may now identify the Agenda Item and recuse themself from discussing and voting on the matter. [Government Code Section 87105]

5. **PUBLIC COMMENT:** The Board of Directors welcomes participation in Board meetings. The public may address matters under the jurisdiction of the Board that have not been posted in the Agenda. The public will be given the opportunity to address the Board on any item in the Agenda at this time or before the Board's consideration of that item. If members of the public desire to address the Board relative to a particular Agenda item at the time it is to be considered, they should so notify the President of the Board at this time. Please note, California Law prohibits the Board from taking action on any matter during a regular meeting that is not on the posted Agenda unless the Board determines that it is an emergency or one of the other situations specified in Government Code Section 54954.2. During a special meeting, the Board may not take action on any matter that is not on the posted Agenda. The President may limit the total amount of time allocated for public comment on particular issues to 3 minutes for each individual speaker.

At approximately 9:05 a.m., it is anticipated President Bennett will suspend the Panoche Drainage District meeting and continue the Panoche Water District-ONLY meeting.

6. PROPOSITION 218 GROWERS' WORKSHOP (Tab 2)

At approximately 10:15 a.m., it is anticipated President Bennett will call a 15-minute break, then continue the Panoche Water District meeting.

7. DIVISION REPORTS:

A. Water Operations & Maintenance – Juan Cadena
B. Administration – John Paul Otollo
C. Ethics, Compliance, & Human Resources – Lorena Chagoya/German Rodriguez

8. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered to be routine and non-controversial and will be acted upon by a single action of the Board of Directors, unless a Board Member requests separate consideration of the item. If such a request is made, the item may be heard as an Action Item at this meeting. The Board will review and consider (Tab 3):

- Acceptance of the monthly financial statements for the period ending February 28, 2021;
- Acceptance of Director's Monthly Credit Card Usage Report.

ACTION ITEMS

9. The Board to review and consider accepting as FINAL the Price, Paige, and Company DRAFT Financial Audit of the Panoche Water District for the 2020 Fiscal-Year ending February 28, 2020, subject to any further direction by the Board (Azhderian/Otollo – Tab 4);

10. The Board to review and consider approving payment of bills (Otollo – Tab 5).

REPORT ITEMS

11. CONTROLLER'S REPORT (Tab 6)
A. FY 2020-21 Budget-to-Actual Report;
B. Other financial matters affecting the District.

12. REPORTS UNDER DISTRICT POLICIES
A. Emergency COVID-19 Pandemic Response Policy
B. Report(s) on Brown Act Meetings & Conferences Attended at District Expense (may be written or oral and may be joint for multiple attendees);
C. Board to Consider Update(s) or Approval(s) Required Under Any Other District Policies.

13. GENERAL MANAGER'S REPORT (Tab 7)
A. Water Supplies & Deliveries;

B. Supplemental Water;
C. Water Quality Report;
D. Domestic Water Treatment Plant;
E. Sustainable Groundwater Management;
F. Staffing Update:
   i. Electrician;
   ii. Accounting Specialist.
G. Other Matters Affecting the District.

14. PANOCHE WATER DISTRICT-ONLY CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant Exposure to Litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9:

Number of Cases: Three

15. REPORT FROM PANOCHE WATER DISTRICT-ONLY CLOSED SESSION

At approximately 11:30 a.m., it is anticipated President Bennett will resume the Panoche Drainage District meeting for a JOINT meeting of the Panoche Water and Drainage Districts.

16. JOINT CLOSED SESSION: Conference with Legal Counsel.

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
(Paragraph (1) of subdivision (d) of Section 54956.9)

Name of Cases:
   i. Stephen W. Sloan vs. Panoche Water District
   Fresno County Superior Court Case No. 18CECG00511;

   ii. Imani Percoats & Chris Bettencourt vs. Panoche Water District
   Fresno County Superior Court Case No. 18CECG01651;

   iii. Jeffrey Moore vs. Panoche Water District
   U.S. Eastern District Court Case No. 1:20-cv-00143-DAD-EPG

B. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant Exposure to Litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9:

Number of Cases: Ten

17. REPORT FROM JOINT CLOSED SESSION (GOVERNMENT CODE SECTION 54957.1)

18. REPORTS ON OTHER ITEMS PURSUANT TO GOVERNMENT CODE SECTION 54954.2(a)(3)

19. FUTURE MEETING DATES

A. Board to Consider Action to Set Special Meeting Date(s): *Staff requests March 23rd.*
B. Next Regular Meeting Date: April 13, 2021

20. ADJOURNMENT

- Items on the Agenda may be taken in any order.
- Action may be taken on any item listed on the Agenda.
- Writings relating to open session: Agenda items that are distributed to members of the Board of Directors will be available for inspection at the District office, excluding writings that are not public records or are exempt from disclosure under the California Public Records Acts.

Americans with Disabilities Act of 1990: Under this Act, a qualifying person may request that the District provide a disability-related modification or accommodation in order to participate in any public meeting of the District. Such assistance includes alternative formats for the agendas and agenda packets used for any public meetings of the District. Requests for assistance shall be made in person, in written form, or via telephone by calling (209) 364-6136. Requests must be received at least 18 hours prior to a scheduled public meeting.

WELCOME

March 9, 2021

Panoche Water District

Proposition 218 Growers Workshop

Call: 844-783-6236

Passcode: 209 364 6136

And Click: https://global.gotomeeting.com/join/722790221

Introductions

- The Board of Directors
  - John Bennett – President
  - Suzanne Redfern-West – Vice-President
  - Mike Stearns – Secretary
  - Michael Linneman – Director
  - Ross Koda – Director
- Treasurer & Controller – John Paul Otollo
- General Counsel – Phil Williams
- Bond Counsel – Douglas Brown, Stradling Yocca Carlson & Rauth
- Municipal Advisor – Robert Porr, Fieldman, Rolapp & Associates
- Proposition 218 Engineer – Douglas Dove, Bartle Wells Associates
- Consulting Accountant – Chris Tozlian, K-Coe Isom, LLP
- General Manager – Ara Azhderian

PURPOSE OF TODAY'S PROP 218 WORKSHOP

1) General Overview of current Proposition 218 effort

2) Engineer's Report Presentation

3) Comments

GENERAL OVERVIEW

THE PROP 218 PROCESS

- It is complex and expensive
- This effort seeks to establish a land-based assessment to reduce the District's cost of borrowing and administration
- This effort seeks to establish an assessment ceiling, not the actual assessment, to minimize the need and cost of additional elections
- To maximize the value of this effort, the District has considered a number of potential land-based special benefits

SPECIAL BENEFITS CONSIDERED

KEPT

- Irrigation Modernization Projects
- PWD Agreement with USBR
- PWD Repayment Contract with USBR

ELIMINATED

- Stand-by Charge
- Fixed Operating Costs
- Preventative Maintenance Costs
- Rate Stabilization Fund
- DHCCP Debt Service
- Sustainable Groundwater Management Act Costs

Irrigation Modernization Projects

- The District seeks to identify and develop projects that will provide a good "return on investment" to modernize our infrastructure and reduce future operations & maintenance costs
- Suitable projects will focus on improving operational efficiency, reducing energy cost, reducing/recapturing seepage and operational spill, and increasing automation
- Money would only be bonded after a suitable project is identified
- The District will notify growers of proposed projects prior to bonding
- Only the bonded cost of a suitable project will be assessed
- Approving Modernization Projects will reduce future administrative costs

PWD AGREEMENT WITH USBR

- Reimburses USBR for unreported water diversions – 2009-2015
- The agreed value of the diversions is $8,261,461
- The agreement is an equitable conclusion to nearly three years of work
- Two payment options:
  - Five Annual Installment Payments – August 2021 thru 2025
  - Lump Sum – Payment Due Prior to August 31, 2021

PWD AGREEMENT WITH USBR

- Estimated Installment Payment Options
  - $1,652,292 per year
    - Land-based charge = ~$43.48 per acre for 5 years ***OR***
    - Water-based charge ranging from ~$42.92 to ~$22.48 per acre-foot, depending on water supply

- Estimated Lump Sum Payment Option
  - $ 8,261,461
    - Land-based assessment for 30 year bond = ~$13.11 per acre

CURRENT INTERIM CONTRACT WITH USBR

- Effective March 1, 2021 thru June 30, 2021
- Historically renewed every two years
- Requires new environmental analysis each time
- No assurance of future renewals
- Results in Reclamation Reform Act restrictions
- Requires repayment of current CVP Capital obligation by 2030
  - Assuming equal annual installments, repayment cost could be:
    - Land-based charge = ~$29.40 per acre for 10 years ***OR***
    - Water-based charge ranging from ~$29.30 to ~$15.20 per acre-foot, depending on water supply

NEW REPAYMENT CONTRACT WITH USBR

- The Board authorized execution on December 28, 2020
- Effective July 1, 2021
- Provides for perpetual service from the Central Valley Project
- Alleviates Reclamation Reform Act restrictions when ***paid in full***
- Two payment options:
  - Four Annual Installment Payments – August 2021 thru 2024
  - Lump Sum – Payment Due Prior to August 31, 2021

REPAYMENT CONTRACT PAYMENT OPTIONS

- Estimated Installment Payment Options
  - $2,843,314 per year
    - Land-based charge = ~$74.83 per acre for 4 years ***OR***
    - Water-based charge ranging from ~$73.85 to ~$38.68 per acre-foot, depending on water supply
- Estimated Lump Sum Payment Option
  - $11,172,832
    - Land-based assessment for 30 year bond = ~$17.73 per acre

EXAMPLE REDUCTION IN CVP WATER RATE AFTER CAPITAL REPAYMENT

- Delta-Mendota Canal
  - 2021 Cost of Service Rate $50.20 per af
  - Less Construction Capital -$21.82 per af
  - New Cost of Service Rate $28.38 per af

- San Luis Canal
  - 2021 Cost of Service Rate $81.91 per af
  - Less Construction Capital -$53.48 per af
  - New Cost of Service Rate $28.43 per af

Panoche Water District Landowner Workshop

MARCH 9, 2021

BARTLE WELLS ASSOCIATES

Preliminary PWD Assessment Proposal

Panoche Water District will be asking voters to approve a fixed assessment per acre to support the following special benefits:

- Irrigation Modernization Projects
- PWD Agreement with USBR
- New “WIIN Act” Repayment Contract with USBR

Approving the assessment will allow the District to secure lowest cost bond financing.

Water Rates Vs. Special Assessments

Water Rates and Charges

- Fund District operating and capital costs
- Volumetric (e.g. per acre foot)
- Fixed (e.g. per acre)

Special Assessments

- Per-acre fixed assessments
- Typically used to secure bonds
- Vote authorizes maximum assessment amount
- District can levy assessments up to maximum amount

Special Assessments vs Fixed, Per-Acre Rates

Special Assessments

- Requires 218 vote to implement or increase
  - 50% approval needed to pass

Pro:

- Most secure source of revenue
  - Provides lowest financing costs

Con:

- Difficult to increase in the future
  - Vote required

Best use: Funding debt service repayment to secure new financing

Fixed, Per-Acre Rates

- Requires 218 notice to implement or increase
  - Fails if 50% of customers submit protests

Pro:

- Easier to increase in the future
  - Protest process, not vote (no ballot)

Con:

- Less secure source of revenue
  - Financing costs may be higher than with assessment

Best use: Funding fixed costs

Engineer's Report

Required by Prop. 218

Identifies special benefits

Proportionally allocates special benefits

Calculates per acre assessments

Lists parcels to be assessed and assessment amounts

Determines method of future annual adjustments (if any)

Panoche Water District

2021 Engineer's Report in Support of Proposition 218 Assessment Ballot Proceeding

March 23, 2021

Date Signed _____

BARTLE WELLS ASSOCIATES
Independent Public Finance Consultants
1889 Alcatraz Avenue
Berkeley, California 94703
www.bartlewells.com
Tel: 510/653-3399

Questions

REGARDING PROP. 218 ASSESSMENT PROCESS

Irrigation Modernization Projects (Estimated Maximum $15 million)

Much of the District's infrastructure is 50-70 years old. The District's aim is to identify and prioritize projects with a high return on investment. Projects may:

- Increase operational efficiency
- Reduce spills
- Implement SCADA (computer automation)
- Reduce operating costs

Important Note: Projects yet to be determined. The District will only assess for projects approved by the Board

BWA recommendation: Approving maximum assessment will save the District the cost and effort of separate election

PWD Agreement with USBR ($8.3 million)

- Agreement marks the conclusion of three years of negotiation with the federal government
- Bonding will allow payment of cost over 30 years

BWA Recommendation: Land based assessment will allow bond financing for lump sum payoff and result in lowest annual cost per acre.

New "WIIN ACT" Repayment Contract with USBR ($11.2 million)

Water Infrastructure for Improvements to the Nation (WIIN) Act

- Allows conversion from a water service contract to a repayment contract

Repayment Contract Benefits

- Reclamation Reform Act (RRA) exemption
- Converted contract has no termination date
- No contract renewal challenges (every two years)
- Stabilizes CVP repayment
- Discounted obligation with lump sum payment

BWA Recommendation: Land based assessment will allow bond financing for lump sum payoff and result in lowest annual cost per acre.

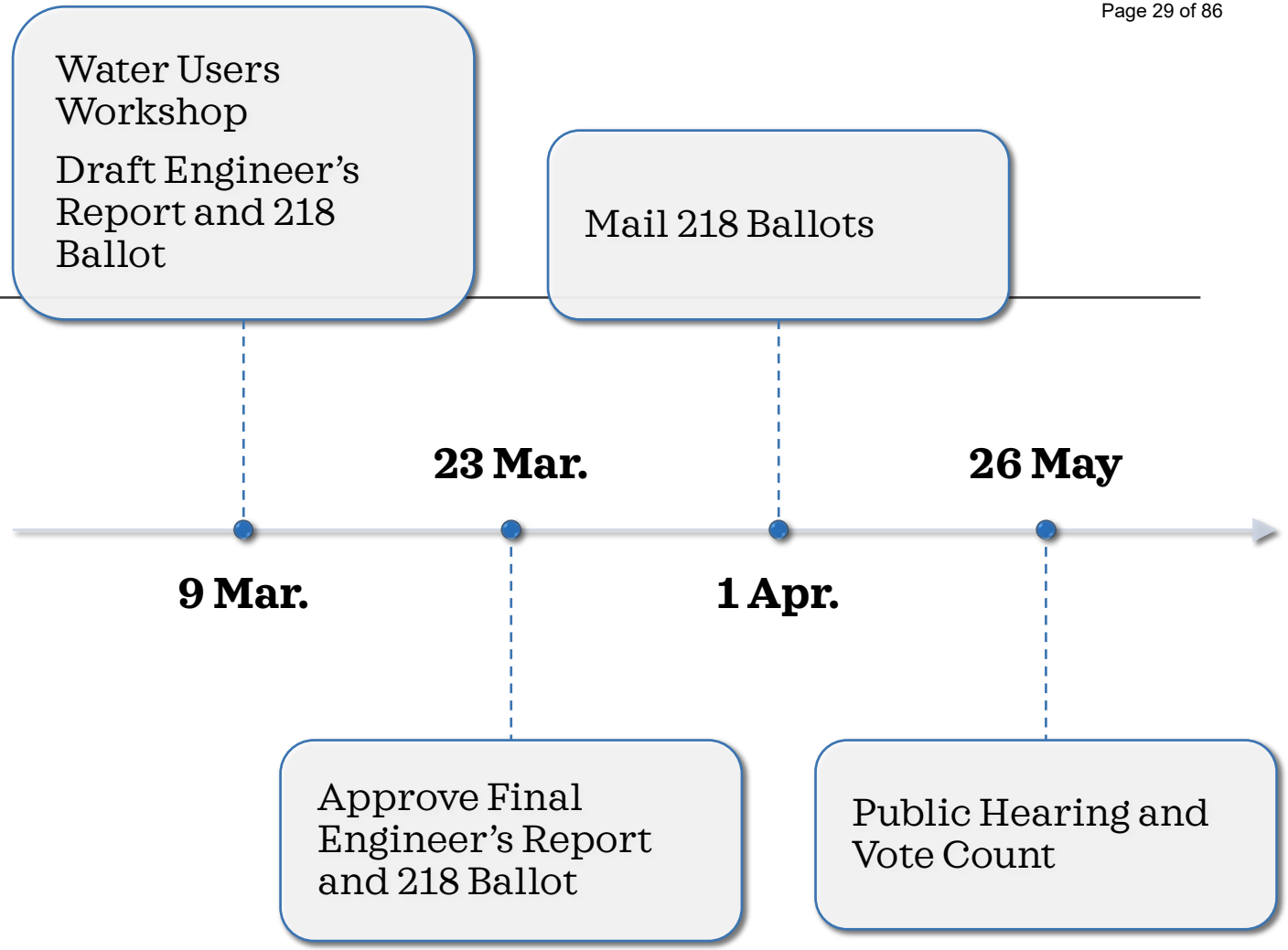
Estimated Maximum Assessment Amounts

Proposed Special Benefits	Annual Assessment Amount	Benefit Acres	Annual Assessment per Acre
Financed Special Benefits			
PWD Agreement with USBR	$550,930	38,410	$14.34
Repayment Contract with USBR	$745,070	38,410	$19.40
Assessment for Financed Benefits	**$1,296,000**		**$33.74**
Requested Authorization for Modernization Projects			
Irrigation Modernization Projects	**$1,008,658**	38,410	**$0 to $26.26**
Total Proposed Assessment	**$2,304,658**		**$60.00**

Voting by Mailed Ballot

- Ballots mailed to all parcel owners
- Separate ballot for each parcel
- Ballots mailed at least 45 days prior to public hearing and vote count
- Ballots weighted proportional to assessment amount
- 50% approval from returned ballots required to pass assessment

2021 Prop. 218 Assessment Schedule



Questions and Comments?

BARTLE WELLS ASSOCIATES

PANOCHE WATER DISTRICT
FIREBAUGH, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
FEBRUARY 29, 2020

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PANOCHE WATER DISTRICT
FINANCIAL STATEMENTS
FEBRUARY 29, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Panoche Water District
Firebaugh, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Panoche Water District, as of February 29, 2020 and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated March xxx, 2021, on our consideration of Panoche Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Clovis, California
March xxx, 2021

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PANOCHE WATER DISTRICT
STATEMENT OF NET POSITION
FEBRUARY 29, 2020

ASSETS		
Current assets:		
Cash and cash equivalents	$	9,237,583
Accounts receivable		5,649,959
Employees receivable		22,793
Interest receivable		27,257
Current portion of notes receivable		520,338
Water inventory		1,305,378
Supplies inventory		71,826
Prepaid expense		106,599
Total current assets		16,941,733
Other assets:		
Noncurrent portion of notes receivable		636,943
Capital assets		10,721,250
Total other assets		11,358,193
Total assets		28,299,926
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses		1,872,306
Prepayments/prebillings on account		1,339,016
Current portion of noncurrent liabilities		53,578
Total current liabilities		3,264,900
Noncurrent liabilities:		
Notes payable		2,161,889
Settlement payable to United States Bureau of Reclamation		8,261,461
Total noncurrent liabilities		10,423,350
Total liabilities		13,688,250
NET POSITION		
Net investment in capital assets		10,721,250
Unrestricted		3,890,426
Total net position	$	14,611,676

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The notes to the basic financial statements are an integral part of this statement.

PANOCHE WATER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2020

OPERATING REVENUES	
Irrigation water sales	$ 10,522,624
District operations and maintenance	7,642,685
Expense reimbursements from other governments	3,799,018
Other operating revenue	572,649
Total operating revenues	22,536,976
OPERATING EXPENSES	
Water costs	10,669,327
Transmission and distribution	3,342,013
Administration and general	5,674,380
Depreciation	1,205,840
General plant	1,484,992
Total operating expenses	22,376,552
Operating income (loss)	160,424
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	198,744
Sale of capital assets	5,100
Interest expense	(113,306)
Legal settlement expense	(8,261,461)
Total nonoperating revenues (expenses)	(8,170,923)
Change in net position	(8,010,499)
Net position - beginning of year	22,622,175
Net position - end of year	$ 14,611,676

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The notes to the basic financial statements are an integral part of this statement.

PANOCHE WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 21,048,197
Payments to suppliers	(18,145,582)
Payments to employees	(3,030,179)
Net cash provided by (used in) operating activities	(127,564)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets (capital outlay)	(79,444)
Gross proceeds from sale of equipment	5,100
Interest paid on noncurrent liabilities	(113,306)
Net cash provided by (used in) capital and related financing activities	(187,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments received on loans to others	176,315
Principal paid on noncapital noncurrent liabilities	(50,900)
Net cash provided by (used in) noncapital financing activities	125,415
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	203,104
Net cash provided by (used in) investing activities	203,104
Net increase (decrease) in cash	13,305
Cash and cash equivalents, beginning of year	9,224,278
Cash and cash equivalents, end of year	$ 9,237,583
Supplemental disclosure of cash flow information:	
Noncash financing activities, legal settlement obligations	$ 8,261,461
Cash paid for interest (net of amount capitalized)	$ 113,306

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The notes to the basic financial statements are an integral part of this statement.

PANOCHE WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2020
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating activities:		
Operating income (loss)	$	160,424
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		1,205,840
(Increase) decrease in accounts receivable		(2,229,964)
Increase (decrease) in prepayments/prebillings on account		741,186
(Increase) decrease in inventory		(592,116)
Increase (decrease) in prepaid expenses		42,373
Increase (decrease) in accounts payable and accrued expenses		544,693
Net cash provided by (used in) operating activities	$	(127,564)

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The notes to the basic financial statements are an integral part of this statement.

PANOCHE WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 28, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Panoche Water District (the "District") was formed in 1950 pursuant to the California Water District Act to furnish irrigation water to District land in Fresno and Merced Counties, California. Land eligible for water provided by the District as of February 20, 2020 approximated 38,000 acres. The District has entered into a contract with the United States Bureau of Reclamation providing for delivery of water to the District from the Delta-Mendota and San Luis Canals of the Central Valley Project. Such contracts also include a forty-year renewal provision.

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* in 2004. GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section, a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

Financial Reporting Entity

The Panoche Water District Financing Corporation (the "Corporation") is a component unit of the District as the Corporation's governing board is appointed by the District's Board of Directors and consists of all the members of the District's Board of Directors. The District does not have a relationship with any other related activities, organizations or functions of government which should be included in the financial reporting entity of the District as required by GASB Statement No. 14, *The Financial Reporting Entity.* In addition, the District is not a component unit of any other governmental entity.

Basis of Presentation and Accounting

The financial statements of the District are presented using the full accrual method of accounting and conform to accounting principles generally accepted in the United States of America and with the policies and procedures of the office of the State Controller, State of California.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a set of accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenue from fees and charges of the activity; or (ii) that are required by law or regulation that the activity's costs of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenue; or (iii) that the pricing policies of the activity establishes fees and charges designated to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets less total liabilities) are segregated into net investment in capital assets, restricted and unrestricted components.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Procedures

The District operates under a budget prepared and approved by the Board of Directors. The budget is prepared on a detailed line-item basis. Revenue is budgeted by use (services and supplies, other charges, water supply and contingencies). Once approved, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenditures or expenses.

The District follows these procedures in establishing the budgetary data: (a) prior to the beginning of the year, the budget is legally enacted through passage of a resolution; (b) budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that loan and bond proceeds are treated as other financial sources and loan and bond principal payments and fixed asset purchases are treated as expenditures.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory

Panoche Water District accounts for water inventory consisting of water purchases in the current fiscal year and sold in the following fiscal year, such as: USBR CVP (Central Valley Project) Contract Water, Exchange Contractor water, Non-Project water, Wells, and Transfers. The District began a vigorous process of tracking all components of water inventory on a monthly basis. The new process accounts for any usage, transfers, or losses for the purposes of financial statement presentation. Water inventory is valued at cost using the average-cost method.

Supplies inventory consist of materials and supplies for ongoing maintenance of the District's facilities. Supplies inventory is valued at cost.

Capital Assets

Capital assets (fixed assets) are stated at historical cost, except for donated assets, which are stated at fair value on the date donated. It is the policy of the District to capitalize all property, plant and equipment, except equipment with a cost of less than $5,000. Costs of assets sold or retired are eliminated from the accounts in the year of disposition and the resulting proceeds (if any) are recorded as proceeds of sales in the applicable fund. Depreciation is recorded using the straight-line method. The estimated useful life for the irrigation distribution system of the District is 50 years.

Operating Revenue and Expense

Operating revenues and expenses consist of those revenues that result from ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenue and expense items that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such is available and then to unrestricted net position.

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PANOCHE WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 28, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Net Position

Net position comprises the various net earnings from operating income, nonoperating revenue, expenses and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net components as the unspent proceeds.

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

Unrestricted net positions – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Cash in bank - business checking and savings	$	998,515
Local Agency Investment Fund		8,239,068
Total	$	9,237,583

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depositary 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 District maintains its cash balances in one financial institution, Rabobank, N.A. The balances are insured by the federal deposit insurance corporation up to $250,000.

The District's deposits as of February 29, 2020, were entirely covered by federal depository insurance or otherwise collateralized. The Government Code of the State of California requires California financial institutions to secure District deposits by pledging government securities as collateral.

The market value of pledged securities must equal at least 110 percent of the District's deposits. California law also allows financial institutions to secure the District's deposit by pledging first deed of mortgage notes having a value of at least 150 percent of the District's total deposit.

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NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investments Authorized

The District strives to maintain the level of investment of idle funds as near to 100% as possible and operates its pooled idle cash investments under the Prudent Investor Standard. This affords a broad spectrum of investment opportunities so long as the investment is deemed prudent and is permissible under currently effective legislation of the State of California and other imposed legal restrictions. Permitted investments are identified in Section 53635 of the Government Code of California. Criteria for selecting investments and the absolute order of priority are safety, liquidity and yield. The primary basic premise underlying the District's investment policy is to insure the safety of principal and to provide funds when needed. A high dollar yield on investments, though important, ranks third in the priority of investment strategy.

Investment maturities are selected to anticipate cash needs, thereby obviating the need for forced liquidation and the accompanying loss of interest income.

The District operates its investment program with many Federal, State and self-imposed constraints. It does not buy stocks; it does not speculate; it does not deal in futures, options or security loan agreements. Longer term investments (over one year) are generally limited to maturities of five years or less.

To maximize investment income, the District uses all available, economically feasible investment aids. Economic conditions and various money markets are monitored in order to assess the probable course of interest rates.

Local Agency Investment Fund (LAIF)

The District participates in an external investment pool by way of its funds on deposit in the Local Agency Investment Fund (LAIF) managed by the State of California Treasurer and is not registered with the Securities and Exchange Commission. These funds are pooled with those of other agencies in the State and invested in accordance with State guidelines. The value of the District's shares in the LAIF that may be withdrawn is determined on an amortized costs basis, which may be different from the fair value of the District's position in the pool. The District's portion of the February 29, 2020 balance was $8,239,068.

Credit Rate Risk

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. At February 29, 2020, the Local Agency Investment Fund managed by the State of California and was not rated.

Concentration of Credit Rate Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) did not exceed 5% or more of total District investments.

Fair Value

LAIF investment pool invests in numerous types of investments ranging all levels in the fair value hierarchy, and accordingly, is not an investment type that can be categorized in any particular level in the fair value hierarchy.

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PANOCHE WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 28, 2020

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at February 29, 2020:

Others	$ 4,429,499
Water user fees	3,044,905
Less allowance for doubtful accounts	(1,774,395)
Total	$ 5,700,009

NOTE 4 – CAPITAL ASSETS

Following is a summary of activity affecting capital assets for the year ended February 29, 2020:

	Balance March 1, 2019	Additions	Deletions	Balance February 29, 2020
Depreciable assets:				
Improvements and equipment	$ 29,635,281	$ 79,444	$ (2,048,878)	$ 27,665,847
Total depreciable assets	29,635,281	79,444	(2,048,878)	27,665,847
Accumulated depreciation:				
Improvements and equipment	(17,787,635)	(1,205,840)	2,048,878	(16,944,597)
Total accumulated depreciation	(17,787,635)	(1,205,840)	2,048,878	(16,944,597)
Depreciable assets, net	11,847,646	(1,126,396)	-	10,721,250
Total capital assets	$ 11,847,646	$ (1,126,396)	$ -	$ 10,721,250

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Following is a summary of accounts payable and accrued expenses as of February 29, 2020:

Trade payables	$ 1,627,163
Compensated absences payable	245,143
Total	$ 1,872,306

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PANOCHE WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 28, 2020

NOTE 6 – LONG-TERM LIABILITIES

Following is a summary of noncurrent (long-term) liabilities for the year ended February 28, 2020:

	Balance March 1, 2019	Additions	Deletions	Balance February 29, 2020
Bonds payable, San Luis & Delta-Mendota Water Authority	2,266,367	-	(50,900)	2,215,467
Total	2,266,367	-	(50,900)	2,215,467
Less current portion	(50,900)	-	(2,678)	(53,578)
Noncurrent portion	$ 2,215,467	$ -	$ (53,578)	$ 2,161,889

Bonds payable, San Luis & Delta-Mendota Water Authority reflects Panoche Water District's, a Financing Participant, share of bond proceeds used to complete general planning requirements, preliminary engineering and design, and required environmental analysis and documentation leading to implementation of elements of the Bay Delta Conservation Plan. Under the DWR funding agreement, Westlands Water District agreed to pay 100 percent of the principal and interest when due for purposes of funding the Water Authority obligations under such agreement; failure of a Financing Participant to make payment required by this DHCCP Activity Agreement shall not relieve Westland Water District of its obligation to pay 100 percent of the outstanding bonds payable, which mature February 2043. Panoche Water District has made all required scheduled payments year-to-date. The bonds bear interest at a rate of 5 percent per annum, with future payments summarized as follows:

Due During the Years Ending:	Interest	Principal	Total
02/28/21	110,774	53,578	164,352
02/28/22	108,095	56,257	164,352
02/28/23	105,281	58,936	164,217
02/29/24	102,335	61,950	164,285
02/28/25	99,237	64,964	164,201
02/28/26 - 02/28/30	444,048	377,393	821,441
02/28/31 - 02/28/35	339,821	481,201	821,022
02/29/36 - 02/29/40	206,896	613,808	820,704
02/28/41 - 02/29/43	45,458	447,380	492,838
	$ 1,561,945	$ 2,215,467	$ 3,777,412

The District had available for use a $2,000,000 working capital line of credit with Rabobank, N.A. The line of credit had an interest rate of 3.53 percent per annum and matured on August 31, 2019. The District did not renew a working capital line of credit with Rabobank and did not obtain a line of credit with any other financial institution.

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NOTE 7 – DEFICIT DEPOSITS: CENTRAL VALLEY PROJECT O&M AND CAPITAL OBLIGATIONS

Federal legislation enacted in 1986 directed Reclamation to determine each water contractor's share of main projects O&M costs (occurring after October 1, 1985) which are not currently reimbursed to Reclamation under existing water contracts. Reclamation was further directed to accumulate these excess costs; including interest (collectively O&M deficits) until such time that the new contracts were renewed. Beginning in fiscal year 2008-2009, under the new interim contract, the District is required to reimburse Reclamation for such O&M deficits through increased costs of its water supply. As of September 30, 2019, according to Reclamation calculations, O&M deficits totaled zero.

In addition, CVP main project capital allocated to the District must be paid in full by the year 2030. This capital is allocated to the federal water contractor on the basis of future projected water deliveries and is included in Reclamation's cost-of-service water rate. As of September 30, 2019, $12,900,944 in unpaid CVP capital was reflected on Reclamation's accounting records as the District's future capital obligations. This amount has not been accrued as an obligation on the District's financial statements.

NOTE 8 – COMPENSATED ABSENCES

The District has a paid vacation policy which allows employees to accumulate vacation leave. Upon termination, employees are paid their accrued vacation at the rate of pay at separation. The District has a sick leave policy which allows employees to accumulate medical sick leave. Upon termination, the District has no obligation to compensate employees for unused sick leave. Accumulated vacation benefits in the amount of $110,746, as of February 29, 2020, are included in accounts payable and accrued expense.

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS

The District provides retirement benefits for all of its full-time employees through a defined contribution plan (Panoche Water District Retirement Plan). The plan is administered by the Panoche Water District and uses the Central Administrative Services, Inc. trust approved by the IRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All full-time employees, 21 years or older, are eligible to participate in the plan after six months of full-time service. The District makes an annual discretionary contribution, currently it contributes seven percent of eligible employee's annual compensation. If the employee terminates employment before fully vesting, forfeiture will take place as of the end of the plan year in which the earlier of the following occurs: 1) the employee incurs five consecutive breaks in service, 2) the employee receives a distribution of the entire vested account balance. Any changes to the rates are approved by the Governing Board. Employees may make voluntary pre-tax salary deferral contributions to the plan subject to Internal Revenue Service limits which combine employer and employee contributions. Total District contributions for the year ended February 29, 2020 were $184,129, with covered payroll equaling $2,846,234.

NOTE 10 – DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all permanent employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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NOTE 11 – PREPAYMENTS/PREBILLINGS ON ACCOUNT

Prepayments/prebillings on account in the amount of $1,339,016 represent prepayments from customers and water assessments billed in the current fiscal year for water which will be delivered to water users during the next fiscal year ending February 28, 2021.

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for the first $2,500 in claims paid for auto and general liability claims. Buildings, personal property and mobile equipment are also self-insured for the first $2,500 in claims paid.

The District is a member of the Association of California Water Agencies – Joint Powers Insurance Authority for insurance claims above the self-insured limits listed above. The District and Authority members have pooled funds to be self-insured for liability and property coverage. The District accounts for premiums paid as a pooling of risk arrangement and, accordingly, expense premiums as they are paid.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Commitments

As part of its ongoing operations, the District has entered into several long-term water purchase commitment agreements. Range of terms under individual agreements are as follows: 0-94,000 Acre Feet (AF), and $99 - $1,000/AF, cost per AF under each agreement differs based on water source type and price escalators (if applicable); agreements expire based on individual agreement terms ranging from FY 2018 to FY 2034, new agreements may be negotiated upon expiration. The District entered into the latest water service contract with the United States, Contract No. 14-06-200-7864A-IR7, which shall serve as the District's interim renewal contract from March 1, 2021, through and if needed, February 28, 2023

As provided for by federal law, the District has converted its water service contract, which was subject to a two-year renewal cycle, into a repayment contract. The Repayment Contract is for the same 94,000 acre-feet of Central Valley Project water which the water service contracts provided for and has an effective date of July 1, 2021. The Repayment Obligation, as provided for in Exhibit C of the Repayment Contract, provides for either four equal installments of $2,843,314.00, or for a single lump sum payment of $11,172,832.00. The District intends to pay the lump sum payment by August 29, 2021, as provided for in the Repayment Contract. The District is currently performing the required analyses to potentially levy assessments against lands in the District in accordance with Proposition 218. Funds from these assessments would be used in part to provide a source of repayment for debt the District intends to cause the Panoche Financing Authority (of which the District is a member) to issue bonds to provide funds to make the lump sum payment.

The Water District and the United States entered into a Settlement Agreement on January 15, 2021. The key financial terms of the Settlement Agreement are that the Water District may be liable to the United States for up to $8,261,361.00, not including interest (the "Settlement Amount"), for what the United States contends to be the Water District's unauthorized diversion of water from the Delta Mendota Canal and the San Luis Canal between 2009 and 2015. In the Settlement Agreement, the United States specifically contends that between on or about January 1, 2009, and April 20, 2015, the Water District diverted federally-owned water from the Delta-Mendota and San Luis Canals, and that the diversions were unauthorized and that the Water District did not compensate the United States Bureau of Reclamation for the diversions. (Collectively, the "Covered Conduct".)

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Commitments (Continued)

An initial payment of $1,000,000.00 was provided to the United States as required by the Settlement Agreement. The Water District intends to pursue financing or other funding sources to enable the Water District to pay the remainder of the Settlement Amount, to include interest accrued up to the date of payment, in one lump sum during calendar year 2021 (the "Lump Sum Payment"). The Settlement Agreement provides that the Water District is entitled to prepay the Settlement Amount including interest accumulated to the payment date (the "Payoff Amount") early at any time without penalty. The District intends to conduct a Proposition 218 Benefit Assessment proceeding related to the issuance of bonds, in part to provide sufficient revenue for the Payoff Amount. In the event that the Water District does not obtain approval of the Proposition 218 Benefit Assessment by landowners or does not issue Bonds such that the Water District does not pay the Payoff Amount by December 31, 2021, the Water District shall pay the remainder of the Settlement Amount plus interest pursuant to the Payment Schedule set forth in the Settlement Agreement. The payments are due beginning August 31, 2021 and continuing each year thereafter until August 31, 2025. In the event that the Water District does not make the Lump Sum Payment, the Settlement Agreement provides for certain postponed payments if, for the contract year (defined as March 1 of a year to the end of February of the next year) that includes a Payment Due Date, the Water District's Central Valley Project allocation is less than 30% of its 94,000 acre-feet allocation; provided, that the Water District may only postpone payments twice over the course of paying the amounts due under the Settlement Agreement. In such an event, the first postponed payment shall be due on August 15, 2026, and the second postponed payment shall be due on August 15, 2027.

Subject to certain specific exceptions provided in the Settlement Agreement, and conditioned upon the Water District's timely payment of the amounts described above, through the Settlement Agreement the United States agreed to release the Water District, together with its current and former direct and indirect parent corporations, current or former direct and indirect subsidiaries or affiliates, current or former brother or sister corporations, divisions, current or former direct and indirect corporate owners, other districts for whom the Water District has performed or does perform services, and the corporate successors and assigns of any of them, from any civil or administrative monetary claim the United States has for the Covered Conduct, arising under the False Claims Act, 31 U.S.C. §§ 3729, et seq.; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801, et seq,; the Injunctions Against Fraud Act, 18 U.S.C. §§ 1345; 18 U.S.C. Section 1956; common law theories of conversion, negligence, gross negligence, payment by mistake, unjust enrichment, money had and received, breach of fiduciary duty, breach of contract, misrepresentation, deceit fraud, civil conspiracy, and aiding and abetting any of the foregoing; or any other statutory or common law cause of action for civil damages or civil penalties that the Civil Division of the United State Department of Justice has actual and present authority to assert and compromise pursuant to 28 C.F.R. Part O, Subpart 1, .45(d) in connection with the Covered Conduct. For purposes of the Settlement Agreement, "affiliates" includes Panoche Drainage District and any other public agency managed by the Water District or whose Board of Directors contains Directors or designated representatives of the Water District, including any joint powers authority established under California law of which the Water District is a member.

The Settlement Agreement contains the requirement that the Water District continue to maintain certain programs, policies and procedures, provide certain training and undergo a limited review annually for the period ending December 31, 2025. In the event the Water District does not comply, it could be subject to an annual payment of $100,000 for each calendar year in which the non-compliance occurs.

The District is currently performing the required analyses to levy assessments against lands in the Water District in accordance with Proposition 218. Funds from these assessments would be used in part to provide a source of repayment for debt the Water District intends to cause the Panoche Financing Authority (of which the Water District is a member) to issue bonds to provide funds to make the Lump Sum Payment.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

As indicated above, the District is currently performing the required analyses to potentially levy assessments against lands in the District in accordance with Proposition 218. Funds from these assessments would be used in part to provide a source of repayment for debt the Water District intends to cause the Panoche Financing Authority (of which the Water District is a member) to issue bonds to provide funds to make the lump sum payment for the Settlement Contract (discussed above), and the lump sum payment for the Repayment Contract (also discussed above). The District expects the assessments to provide adequate funding for both, and expects the landowners in the District to approve the assessments.

Imani Percoats and Chris Bettencourt v. Panoche Water District, Fresno County Superior Court Case 18CECG01651: This pending litigation was filed after conclusion of FY 2018, on May 10, 2018, alleging failure to pay overtime required by California Statutes for a period including FY 2018. The District believes that it has a strong defense to this action and expects to vigorously defend itself. At this time, it is not reasonably possible to estimate the likelihood that the District will be found liable or if found liable, the amount of damages.

Stephen Sloan v Panoche Water District, Fresno County Superior Court Case 18CECG00511: This case was initially filed on February 8, 2018; most recently, the court ordered summary judgement in favor of the District and dismissed the case. The matter arises from allegations that during fiscal year 2017 and continuing in fiscal year 2018, the District breached a multi-year agreement to purchase well water beginning in 2016. The District expects Mr. Sloan to appeal the court's order, and the District expects to continue to vigorously defend the case. At this time, it is not reasonably possible to estimate the likelihood that the District will be found liable or if found liable, the amount of damages.

Based upon the litigation filed by the California Department of Justice against certain former District employees noted below and on February 20, 2018, the United States Environmental Protection Agency in April 2018, issued a Notice of Suspension to Panoche Water District and Drainage Districts suspending the Districts from participation on future federal contracts. The suspension was subsequently reversed and a notice to show cause issued. The District submitted documentation of its present responsibility to act as a federal contractor and provided supplemental information in the fall of 2019. The District's understanding is that USEPA still has not acted in response to that submittal, but the District does not expect any further action by the EPA based upon the issues in that proceeding. The District is currently an authorized federal contractor.

Commencing in approximately May 2016, the Water District was subject to investigation by the California Department of Justice relating to issues regarding handling and disposal of chemicals under the jurisdiction of the Department of Toxic Substance Control. The investigation also potentially relates to whether personnel of the District may have misused District credit cards, issued or received District loans to public employees, or violated requirements under the Fair Political Practices Act. On February 20, 2018, the California Department of Justice filed a felony complaint against the former General Manager, former office manager, two former employees and one employee (since separated from the District), People v. Cascia, Fresno County Superior Court Case No. F18901227. Following a preliminary hearing, two former employees were held over for trial on three counts each of embezzlement of public funds, and one was held over on one count of unlawful disposal of hazardous waste. At this point the likelihood that the California Department of Justice would bring any criminal complaint against the District appears to be remote.

Finally, the District could be subject to fines or penalties assessed by the Department of Toxic Substance Control, the State Water Resources Control Board or the County of Fresno relating to matters arising during or after FY 2017 which have been or are being investigated by those agencies and that have been remediated by District actions. The Department of Toxic Substance Control and the State Water Resources Control Board have notified the District of their intent to bill for investigation time, estimated to be in the range of $200-$1000. Issues concerning violations of water quality objectives at the domestic water treatment plant are ongoing and it is possible, but not probable that the State Water Resources Control Board would impose fines on the District if current cooperative efforts to identify and fund new technology or a new plant were to fail. At this time, while possible, it does not appear reasonably likely that additional claims or litigation against the District will result.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (Continued)

On or about January 28, 2020, the District learned that Jeffrey Moore, an employee of the District, has filed suit against the District in Federal District Court for the Eastern District of California and makes allegations based on employment contract, race discrimination and retaliation. The District has referred the retaliation issues to its insurer and has retained its own counsel for the employment contract issues. The District expects it and the insurer to continue to vigorously defend the action. Based on the currently known information, it is not possible to estimate the reasonable probability of any particular outcome to the case or the amount of any potential liability.

NOTE 14 – LEGAL SETTLEMENT OBLIGATIONS *(management to update)*

NOTE 15 – RELATED ORGANIZATIONS

The District's Governing Board presides as the Panoche Drainage District's (PDD) Governing Board, PDD is a separate Special District organized to provide for the Water of certain agricultural lands, other than swamp and overflow lands located in Fresno and Merced Counties. A separate audit is performed for Panoche Drainage District and financial information of PDD can be obtained by writing to the PDD's Chief Financial Officer, 52027 W. Althea Avenue, Firebaugh, CA 93622.

PDD reimburses the District for the cost of providing PDD with personnel services, including related taxes and benefits, and other operational costs. Amounts charged to PDD for fiscal year ended February 29, 2020 were approximately $2,117,485 in total.

NOTE 16 – RELATED PARTY TRANSACTIONS

The District has outstanding employee loans receivable totaling $22,793 as of the fiscal year ended February 29, 2020. During the prior years, management made interest free loans to several employees. The District made these loans without proper authorization documents or agreements documenting the terms of the loans. In correcting this practice, the Board adopted formal, written policy prohibiting loans to any persons, including employees, except as authorized by law in August of 2016 in addition to adopting Reasonable Expense Reimbursement/Use of Public Resources Policy Statement "Reimbursement/Resources Policy") incorporating Loan Policy the following month (September 2016). Employee training on Reimbursement/Resources Policy was conducted by special counsel. In September 2016, Board adopted an Employee Handbook including a no-loan policy, formally acknowledged by all District employees.

Note 17 – UNCERTAINTY

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, the State of California has issued Stay At Home Orders which include the temporary closure of all businesses deemed to be nonessential. Accordingly, some functions of the Panoche Water District's operations have been limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no other subsequent events that have occurred from February 29, 2020 through the date the financials were available to be issued at March xxx, 2021, that would require disclosure or adjustment.

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OTHER AUDITOR'S REPORT

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

To the Board of Directors of
Panoche Water District
Firebaugh, California

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 Panoche Water District (the "District"), as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March xxx, 2021.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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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 required to be reported under *Government Auditing Standards.*

District's Responses to Findings

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Clovis, California
March xxx, 2021

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FINDINGS AND QUESTIONED COSTS

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PANOCHE WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEBRUARY 29, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?	X	Yes		No
Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statement noted?		Yes	X	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001 Financial Close and Reporting Process (Material Weakness)

Condition:
The District incorrectly "reserved" a prior year adjusting entry in the amount of $264,369 which they believed was an accrual entry but was in fact a correcting entry for revenue and accounts receivable.

Criteria:
A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause:
Internal controls over the year-end financial reporting process were not properly designed and were not placed in operation.

Effect:
An overstatement of revenue and an overstatement of accounts receivable in the current year of $264,369 which was corrected by an audit adjustment.

Recommendation:
We recommend that the District create a year-end financial closing checklist which includes the necessary steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and reporting of all significant account balances.

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PANOCHE WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEBRUARY 29, 2020

FINANCIAL STATEMENT FINDINGS

Finding 2019-001 Financial Close and Reporting Process (Material Weakness)

Condition:
The District did not properly record all payables, receivables, expenses and revenues during the year-end closing process. During our audit we identified these errors and proposed the necessary accounting entries to correct the balances of these accounts.

Criteria:
A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause:
Internal controls over the year-end financial reporting process were not properly designed and were not placed in operation.

Effect:
As a result of this condition, payables, receivables, expenses, assets, revenues and net position were initially materially misstated. Specifically, the misstatements were as follows:

- T&D Electric expense – Understated by $82,467
- DMC Well Water expense – Understated by $96,840
- Payroll related expenses – Understated by $172,259
- Property, Plant and Equipment – Overstated by $65,584
- Accounts receivable – Other – Overstated by $264,398

Recommendation:
We recommend that the District create a year-end financial closing checklist which includes the necessary steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and reporting of all significant account balances.

Status (as of February 29, 2020):
Partially implemented. See Finding 2020-001.

DRAFT

PANOCHE WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEBRUARY 29, 2020

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2019-002 Internal Controls Over Payroll (Material Weakness)

Condition:
The District did not obtain proper authorization for payroll related transactions during the fiscal year. Specifically, we identified the following transaction:

- Unauthorized Employee Fringe Benefits – No written contracts or agreements for housing and utilities payments provided to five employees.

Criteria:
COSO's Internal Control – Integrated Framework defines the five interrelated concepts of internal control which include: Control Environment, Risk Assessment, Information and Communication, Monitoring, and Control Activities. A proper control environment includes the following attributes: communication and enforcement of integrity and ethical values, commitment to competence, proper human resource policies and practices. Effective monitoring requires that the entity select, develop, and perform ongoing and/or separate evaluations to determine whether the components of internal control are present and functioning. Additionally, the monitoring process requires that the entity evaluate and communicate internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the governing body, as appropriate. Adequate control activities over disbursements include various controls over initiating, authorizing, recording, processing, correcting, reconciling and reporting transactions,

Cause:
The District did not have a properly designed or operating internal control system. Specifically, the District did not have adequate written policies and procedures to address payroll/personnel transactions. Monitoring of financial transactions, was weak or non-existent.

Effect:
As a result of the condition described above, several transactions were processed by the District without proper documentation and authorization.

Recommendation:
We recommend that the District create policies and procedures which includes the necessary steps, in detail, that should be undertaken to ensure proper documentation, authorization and reporting of all accounting transactions.

Status (as of February 29, 2020):
Implemented.

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PANOCHE WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEBRUARY 29, 2020

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2019-003 Accounts Receivable Reconciliation (Significant Deficiency)

Condition:
The District did not reconcile receivables recorded in the STORM billing system to the general ledger accounting system (SAGE) on a monthly basis.

Criteria:
A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a supplemental billing accounting system on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause:
Internal controls over the accounts receivable reconciliation process were not properly designed and were not placed in operation.

Effect:
Not determined.

Recommendation:
We recommend that the District create a monthly financial closing checklist which includes the necessary steps, in detail, that should be undertaken on a monthly basis to ensure proper reconciliation of accounts receivable records.

Status (as of February 29, 2020):
Implemented.

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PANOCHE WATER DISTRICT
MANAGEMENT'S RESPONSE TO FINDINGS
FEBRUARY 28, 2019

PANOCHE WATER DISTRICT

52027 WEST ALTHEA AVE,FIREBAUGH, CA 93622
TELEPHONE (209) 364-6136 • FAX (209) 364-6122

CORRECTIVE ACTION PLAN
Fiscal Year End 2020

The Panoche Water District is in receipt of the findings with regards to the annual audit for the fiscal year end 2019. Below is the corrective action plan submitted by the Panoche Water District in response.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	This is noted and agreed. Management continues to design, implement and maintain internal control as per the Accounting Policies and Procedures Manual (APPM), which was last reviewed and adopted by the Board in December 2018. The APPM includes monthly and year-end financial closing procedures to help guide proper reconciliation and reporting of account balances. In response to this audit finding and recommendation, Management will further review and refine the APPM procedures to include follow up steps with Auditors for clarification of any audit adjusting entries required to properly correct the financial statements.	Ongoing	John Paul Otollo

Signature: _____ _____
General Manager Controller

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Board of Directors: John F. Bennett, *President* Suzanne Redfern-West, *Vice President* Michael Stearns, *Secretary*
Ross Koda, *Director* Michael Linneman, *Director* Ara Azhderian, *General Manager*

PANOCHE WATER DISTRICT
TREASURER'S MONTHLY FINANCIAL REPORT
BALANCE SHEET-CURRENT ASSETS & LIABILITIES

DATE AS OF	**February 28, 2021**	**January 31, 2021**
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	$202,082	$69,176
PREPAYMENTS/CREDIT ACCOUNTS	$64,572	$140,092
TOTAL CURRENT LIABILITIES	**$266,654**	**$209,268**
CASH AND INVESTMENT ACCOUNTS		
O&M CHECKING	$1,193,993	$208,094
LAIF	$3,211,686	$3,161,686
PAYROLL CHECKING	$42,846	$4,774
TOTAL CASH AND INVESTMENTS	**$4,448,525**	**$3,374,554**
ACCOUNTS RECEIVABLES		
WATER	$3,150,591	$308,773
GROUNDWATER MANAGEMENT FEE	$1,056	$4,075
DELINQUENT ACCOUNT CHARGES	$2,772	$3,644
OTHER	$107,955	$278,152
PDD SJRIP CASH ADVANCE	-	$16,504
PDD CASH ADVANCE	-	$11,346
CASH ADVANCE - PROP 84	$700,000	$700,000
TOTAL ACCOUNTS RECEIVABLES	**$3,962,374**	**$1,322,495**
TOTAL CURRENT ASSETS	**$8,410,899**	**$4,697,049**
NET CURRENT ASSETS (NET CASH POSITION)	**$8,144,245**	**$4,487,780**

General Ledger Detail Report
Summary Report for Period 01 Thru 12 Ending 2/28/2021

PANOCHE WATER DISTRICT (PWD)

Account Number/Description	Beginning Balance	Debit	Credit	Net Change	Ending Balance
13112-000					
MECHANIC CKNG #******8566	871,682.08	29,260,432.07	28,938,120.96	322,311.11	1,193,993.19
13412-000					
MECHANIC PR#******7895	36,621.52	3,500,411.46	3,494,186.92	6,224.54	42,846.06
13520-000					
LOCAL AGENCY INVESTMENT FD	7,397,232.07	1,683,702.91	6,711,085.60	5,027,382.69-	2,369,849.38
13521-000					
LAIF-RESTRICTED	841,836.13	0.00	0.00	0.00	841,836.13
Report Total:	9,147,371.80	34,444,546.44	39,143,393.48	4,698,847.04-	4,448,524.76

PANOCHE WATER DISTRICT
Account Receivable Report
Fiscal Year 03/01/2020 - 02/28/2021

Report Period 2/28/21 - 3/08/21

Report Date: 3/9/21

	Total	Water	Others
Receivable Balance as of February 28, 2021	$ 3,262,373	$ 3,154,419	$ 107,955
Billings:	$ -	$ -	$ -
Total Billings:	$ -	$ -	$ -
Payments received:			
Payments received:	$ 392,426	$ 381,412	$ 11,014
Total Payments Received:	**$ 392,426**	**$ 381,412**	**$ 11,014**
Receivable Balance as of February 8, 2021	$ 2,869,947	$ 2,773,007	$ 96,941
Outstanding Accounts:			
Total current accounts receivables	$ 2,766,831	$ 2,669,890	$ 96,941
Delinquent accounts receivables	$ 103,117	$ 103,117	$ -
	$ 2,869,947	**$ 2,773,007**	**$ 96,941**
Non current receivables - Prior Years	$ 5,230,075	$ 1,145,205	$ 4,084,870

PANOCHE WATER DISTRICT

AGED ACCOUNTS RECEIVABLE, BY DUE DATE

As Of 2/28/2021

	Name	31-60 Days	61-90 Days	Over 90 Days	Total A/R	
1	Thiel Air-Care, Inc.	-	28.69	-	28.69	
2	Carbajal, Sylvia	-	20.97	-	20.97	
3	B & C Farms c/o Francisco & Romelia Nunez	-	103.47	-	103.47	
4	Olam West Coast, Inc. (OSVI)	-	510.42	-	510.42	
5	Imperial Merchants USA, LLC	-	3,040.26	91,682.94	94,723.20	
6	Correia 2015 Living Trust dated Sept.17, 2015	-	-	4,405.38	4,405.38	
7	Ortiz Jorge L.	-	22.01	-	22.01	
8	Camp 13 Drainage District	-	-	3,302.63	3,302.63	
	Total Current Accounts	-	3,725.82	99,390.95	$ 103,116.77	
	Non Current Water Accounts					
1	John S. Diedrich Farms,	-	-	59,359.03	59,359.03	
2	Panoche Drainage District	-	-	613,167.91	613,167.91	
3	Dresick Farms	-	-	376,715.64	376,715.64	
4	Carbajal, Sylvia	-	-	7.86	7.86	
5	Ortiz Jorge L.	-	-	8.25	8.25	
6	Mancebo Farms, Jeff	-	-	62,203.05	62,203.05	
7	B & C Farms c/o Francisco & Romelia Nunez	-	-	5,489.31	5,489.31	
8	Ravand, LLC	-	-	28,253.86	28,253.86	
		-	-	1,145,204.91	1,145,204.91	PY
	Non Current Other Accounts					
1	Panoche Drainage District(SJRIP)	-	-	2,777,971.13	2,777,971.13	
2	Panoche Drainage District	-	-	1,306,899.18	1,306,899.18	
		-	-	4,084,870.31	4,084,870.31	PY
	Grand Total	-	3,725.82	5,329,466.17	5,333,191.99	

Michael Linneman

March 5, 2021

Review period: 01/08/2021- 02/04/2021

Statement and documentation made available: 02/24/2021

I have reviewed the credit card documentation for the Westamerica Community VISA Account (-8512).

Included in the packet were credit card statement detail and supporting documentation. Activity for this time period include charges from the following cardholders:

Mr. Ara Azhderian – General Manager

Mr. Juan Cadena – Director of Operations

Mr. John P. Otollo – Director of Finance and Administration

All charges examined appear valid employer related expenses with complete supporting documents.

Sincerely,

Michael Linneman

BACK

PANOCHE WATER DISTRICT

ACCOUNTS PAYABLE LIST

PAYMENTS RUN FROM 2/10/2021 TO 3/9/2021

MECHANICS O & M CHECKING # 8566

DATE	CHECK NUMBER	NAME	CHECK AMOUNT	MEMO
2/10/2021	39182	ACWA/JPIA	$ 61,176.22	MARCH 2021 INSURANCE HEALTH $ 56,771.94, DENTAL $ 3,657.20, VISION $ 593.92 & LIFE $ 153.16
2/10/2021	39183	BONDS & SON SEPTIC TANK	$ 110.00	CLEANED SEPTIC HOUSE # 4
2/10/2021	39184	CLARK PEST CONTROL	$ 435.00	DISTRICT PEST CONTROL
2/10/2021	39185	DEPARTMENT OF PUBLIC HEALTH	$ 138.00	ANNUAL PERMIT DOMESTIC TREATMENT PLANT
2/10/2021	39186	CORELOGIC INFORMATION SOLUTIONS	$ 200.00	APN RESEARCH
2/10/2021	39187	FERRELLGAS	$ 575.66	PROPANE FOR HOUSE # 1, # 2 & # 5
2/10/2021	39188	SAVEMART SUPERMARKETS	$ 277.50	SNACKS FOR OFFICE
2/10/2021	39189	VALLEY PRO CONTRACTOR	$ 1,091.00	REPAIRS TO HOUSE # 5
2/10/2021	39190	WELLS FARGO VENDOR FIN SERVICES	$ 370.76	COPIER LEASE
2/10/2021	39191	CPU TREND	$ 163.12	COMPUTER SERVICES
2/10/2021	39192	ACWA	$ 43,077.05	WORKERS COMPENSATION OCTOBER - DECEMBER 2020
2/24/2021	39193	DARRELL ARENA	$ 250.00	LABEL ELECTRICAL PANEL HOUSE # 5 & DISCONNECT POWER TO HOIST IN OLD O & M SHOP
2/24/2021	39194	AMERICAN STEAMWAY	$ 696.91	REPAIR AIR COMPRESSOR
2/24/2021	39195	APPL, INC.	$ 275.50	GBP & IRRIGATION SAMPLES
2/24/2021	39196	BOB'S TIRE	$ 198.66	REPAIRS # 75, # 05B & #30
2/24/2021	39197	BRYCE ROSE MOBILE EQUIPMENT SERVICES	$ 380.00	REPAIR # SJ46
2/24/2021	39198	CHRIS CARLUCCI	$ 78.62	MILEAGE REIMBURSEMENT
2/24/2021	39199	CLARK PEST CONTROL	$ 435.00	DISTRICT PEST CONTROL
2/24/2021	39200	CPU TREND	$ 2,609.56	COMPUTER SERVICES
2/24/2021	39201	FEDERAL EXPRESS	$ 290.60	GBP SHIPPING & SHIPPING EMPLOYEE INFORMATION
2/24/2021	39202	FRESNO INTERPRETING & TRANSLATING	$ 985.00	TRANSLATION OF COVID 19 DOCUMENTS
2/24/2021	39203	HCL MACHINE WORKS INC.	$ 562.80	ADD RAMPS TO # 32
2/24/2021	39204	HOLT OF CALIFORNIA	$ 837.94	PARTS FOR # SJ46
2/24/2021	39205	HOME DEPOT CREDIT SERVICES	$ 639.29	MISC. SUPPLIES
2/24/2021	39206	FERRELLGAS	$ 69.87	PROPANE FOR FORKLIFT
2/24/2021	39207	MERCED TRUCK & TRAILER	$ 346.15	PARTS FOR # 67T
2/24/2021	39208	NAPA AUTO PARTS	$ 485.45	PARTS FOR # 75A, # 75B, # SJ31, # 13A & PARTS FOR GBP
2/24/2021	39209	NERI TIRE DISPOSAL SERVICE	$ 279.00	TIRE DISPOSAL
2/24/2021	39210	OFFICE CITY	$ 731.25	SAFETY SUPPLIES
2/24/2021	39211	PIPKIN DETECTIVE AGENCY, INC.	$ 165.00	EMPLOYEE BACKGROUND CHECK
2/24/2021	39212	PRICE PAIGE & COMPANY	$ 25,600.00	WORK IN PROGRESS AUDIT FY 2/21
2/24/2021	39213	PRYOR LEARNING SOLUTIONS	$ 4,845.00	OSHA COMPLIANCE COURSE
2/24/2021	39214	SUMMERS ENGINEERING INC.	$ 7,652.18	SWTP REVIEW & CONSTRUCTION FUNDING
2/24/2021	39215	TEE-DEE-US AUTO	$ 250.13	REPAIR # 01AA
2/24/2021	39216	THARP'S FARM SUPPLY	$ 176.18	MISC SUPPLIES
2/24/2021	39217	TORO PETROLEUM	$ 3,503.66	1,193 GALS UNLEADED @ $ 2.94
2/24/2021	39218	VERIZON WIRELESS	$ 1,158.12	GPS SERVICE
2/24/2021	39219	WALPOLE & CO.	$ 350.00	COMPUTER SUPPORT
2/24/2021	39220	WATER RECLAMATION	$ 22,152.42	REMOVE EXISTING CONCRETE & REPAIR TURNOUT 15E, CHECK ELECTRICAL STATION 4, RAW LINE BREAK DOMESTIC PLANT, PULL & INSPECT PUMP STATION T-4, CHECK ELECTRICAL WELL # 48 & FIX GEAR BOX
2/24/2021	39221	WESTAIR GASES & EQUIPMENT	$ 255.80	OXYGEN & ACETYLENE FOR SHOP
2/24/2021	39222	WESTSIDE WATER	$ 3,990.52	CHECK DOMESTIC SYSTEM WEEKLY & CHECK TURBITY PROBLEM

DATE	CHECK NUMBER	NAME	CHECK AMOUNT	MEMO
2/24/2021	39223	ZOOM IMAGING SOLUTIONS	$ 1,097.36	COPIER LEASE
2/24/2021	39224	XIO, INC.	$ 74.00	CLOUD BASED MONITORING SERVICE
2/24/2021	39225	ALEX AUTO & SMOG	$ 492.24	REPAIR # 18
3/9/2021	39226	ACWA/JPIA	$ 71,024.86	APRIL 21 INSURANCE HEALTH $ 65,876.06, DENTAL $ 4,313.88, VISION $ 668.16 & LIFE $ 166.76
3/9/2021	39227	AMAZON/SYNCB	$ 1,623.80	OFFICE & MISC SUPPLIES
3/9/2021	39228	DARRELL ARENA	$ 450.00	INSTALL NEW LIGHT HOUSE # 2 & CHANGE OUTLET HOUSE # 5
3/9/2021	39229	ALL AMERICAN PLUMBING	$ 627.25	REPAIR STOPPAGE AT HOUSE # 5
3/9/2021	39230	APPL, INC.	$ 48.00	GBP SAMPLES
3/9/2021	39231	BAKER MANOCK & JENSEN	$ 1,710.00	LEGAL SERVICES JANUARY 2021
3/9/2021	39232	CALMEX ORCHARDS, LP	$ 51,840.00	REFUND FOR RESCHEDULED WATER THAT WAS PAID THAT WAS TURNED BACK TO THE DISTRICT
3/9/2021	39233	CPU TREND	$ 3,179.20	COMPUTER SUPPORT
3/9/2021	39234	LIGHTHOUSE DOCUMENT TECHNOLOGIES, INC.	$ 463.50	LEGAL CONSULTANT
3/9/2021	39235	FENNEMORE DOWLING AARON	$ 369.50	LEGAL SERVICES JANUARY 2021
3/9/2021	39236	FEDERAL EXPRESS	$ 336.04	GBP SHIPPING
3/9/2021	39237	FRONTIER COMMUNICATIONS	$ 418.40	TELEPHONE SERVICE
3/9/2021	39238	GIBSON, DUNN & CRUTCHER	$ 9,955.50	LEGAL SERVICES JANUARY 2021
3/9/2021	39239	GILTON SOLID WASTE MANAGEMENT	$ 405.22	WASTE MANAGEMENT
3/9/2021	39240	HCL MACHINE WORKS INC	$ 3,934.36	TRASH RACKS ON LATERAL # 2 & T-6
3/9/2021	39241	HOFFMAN SECURITY	$ 341.40	SHOP/OFFICE SECURITY
3/9/2021	39242	HOLT OF CALIFORNIA	$ 887.56	INSPECTION & MAINTENANCE # 25
3/9/2021	39243	INTRADO ENTERPRISE COLLABORATION, INC.	$ 404.79	CONFERENCE CALLS
3/9/2021	39244	ARNOLD JORGE	$ 150.00	BOOT REIMBURSEMENT
3/9/2021	39245	KARIZ, LP	$ 27,360.00	REFUND FOR RESCHEDULED WATER THAT WAS PAID THAT WAS TURNED BACK TO THE DISTRICT
3/9/2021	39246	KCOE ISOM, LLP	$ 5,405.00	ACCOUNTING SERVICES JANUARY 2021
3/9/2021	39247	LAW OFFICES OF WILLIAM C. HAHESY	$ 15,155.00	LEGAL SERVICES JANUARY 2021
3/9/2021	39248	MCCORMICK BARSTOW LLP	$ 5,132.00	LEGAL SERVICES JANUARY 2021
3/9/2021	39249	NAPA AUTO PARTS	$ 1,976.70	PARTS FOR # SJ11A, # 70B, #75A, # 34A, # 75A & SHOP SUPPLIES
3/9/2021	39250	OFFICE CITY	$ 413.80	SAFETY SUPPLIES
3/9/2021	39251	PACIFIC GAS & ELECTRIC	$ 736.02	ELECTRICAL POWER
3/9/2021	39252	PARADIS ORCHARDS, LP	$ 41,040.00	REFUND FOR RESCHEDULED WATER THAT WAS PAID THAT WAS TURNED BACK TO THE DISTRICT
3/9/2021	39253	PROVOST & PRITCHARD	$ 6,209.67	CONTROL SURVEY FOR SUBSIDENCE MONITORING & 5 YR WATER MANAGEMENT PLAN
3/9/2021	39254	THE SAQUI LAW GROUP	$ 316.00	LEGAL SERVICE DECEMBER 2020
3/9/2021	39255	SOMACH SIMMON & DUNN	$ 3,219.00	LEGAL SERVICE DECEMBER 2020
3/9/2021	39256	TF TIRE & SERVICE	$ 559.91	REPAIR # 90
3/9/2021	39257	THARP'S FARM SUPPLY	$ 7.16	SUPPLIES
3/9/2021	39258	TORO PETROLEUM CORPORATION	$ 847.99	HYDRAULIC FLUID & OIL
3/9/2021	39259	UNWIRED BROADBAND, INC.	$ 549.99	INTERNET SERVICES
3/9/2021	39260	WALPOLE & CO.	$ 87.50	COMPUTER SUPPORT
3/9/2021	39261	WATER RECLAMATION	$ 533.05	PARTS FOR WELL # 48 & FABRICATE LIGHT BRACKETS FOR OLD O & M SHOP
3/9/2021	39262	WELTY WEAVER & CURRIE	$ 16,279.92	LEGAL SERVICE JANUARY 2021
2/10/2021	W00679	SLDM WATER AUTHORITY	$ 69,280.88	JANUARY 2021 SLC & DMC SLDMWA CONVEYANCE COSTS
2/10/2021	W00680	US BUREAU OF RECLAMATION	$ 740.30	JANUARY 2021 SLC & DMC RESTORATION WATER COSTS
2/11/2021	W00681	PAI SERVICES, LLC	$ 201.71	JANUARY 2021 SAGE TIME FEE
2/19/2021	W00682	SL & DM WATER AUTHORITY	$ 110,548.00	DHCCP PROJECT, SERIES 2021B BOND
2/19/2021	W00683	US BUREAU OF RECLAMATION	$ 1,123.00	JANUARY 2021 ADD-ON RESTORATION WATER COSTS FOR SLC
2/24/2021	W00684	SL & DM WATER AUTHORITY	$ 496,242.65	YUBA CO WATER TRANSFER AGENCY - 2020
2/24/2021	W00685	US BUREAU OF RECLAMATION	$ 161,159.17	SLC & DMC RESCHEDULED USBR WATER COSTS
2/25/2021	W00686	WESTAMERICA VISA	$ 2,392.62	SERVICE/REPAIR # 12C, PART FOR # 19A, ICE FOR SAMPLES - GBP, FUEL FOR # 12C & # 18A, ONLINE EXCEL CLASS FOR EE, GO TO MEETING ANNUAL SUBSCRIPTION, SHIPPING, BUSINESS LUNCHES, E FILING FEES FOR QUARTERLY PAYROLL TAXES, INDEED JOB POSTING & DISTRICT EMAILS
2/18/2021	JE-316	TRANSFER FOR PAYROLL	$ 120,000.00	2/19/2021 PAYROLL
3/3/2021	JE-1	TRANSFER FOR PAYROLL	$ 100,000.00	3/5/2021 PAYROLL
		TOTAL	**$ 1,525,214.94**	

		MECHANICS PAYROLL CHECKING # 7895		
	CHECK		**CHECK**	
DATE	**NUMBER**	**NAME**	**AMOUNT**	**MEMO**
2/18/2021	2895	FRANCHISE TAX BOARD	$ 394.29	WAGE GARNISHMENT
2/18/2021	JE-318	EMPLOYMENT DEVELOPMENT DEPARTMENT	$ 4,910.24	STATE PAYROLL TAXES
2/18/2021	JE-319	INTERNAL REVENUE SERVICE	$ 22,010.54	FEDERAL PAYROLL TAXES
2/18/2021	JE-320	JOHN HANCOCK	$ 9,076.77	RETIREMENT
2/18/2021	JE-321	CALIFORNIA STATE DISBURSEMENT UNIT	$ 785.00	WAGE GARNISHMENT
2/18/2021	PR-1379	NET PAYROLL	$ 57,973.84	PAYROLL 2/18/2021
2/22/2021	PR-1380	NET PAYROLL	$ 1,694.88	PAYROLL 2/22/2021
2/22/2021	PR-1381	NET PAYROLL	$ 220.32	PAYROLL 2/22/2021
2/23/2021	CD-2402	FRANCHISE TAX BOARD	$ 575.91	WAGE GARNISHMENT
2/23/2021	JE-322	EMPLOYMENT DEVELOPMENT DEPARTMENT	$ 72.14	STATE PAYROLL TAXES
2/23/2021	JE-323	EMPLOYMENT DEVELOPMENT DEPARTMENT	$ 2.90	STATE PAYROLL TAXES
2/23/2021	JE-324	INTERNAL REVENUE SERVICE	$ 429.23	FEDERAL PAYROLL TAXES
2/23/2021	JE-325	INTERNAL REVENUE SERVICE	$ 36.98	FEDERAL PAYROLL TAXES
2/23/2021	JE-326	JOHN HANCOCK	$ 134.06	RETIREMENT
3/3/2021	PR-1382	NET PAYROLL	$ 53,646.68	PAYROLL 3/5/2021
3/4/2021	2905	PRINCIPAL INSURANCE COMPANY	$ 790.80	EMPLOYEE PAID LIFE, CRITICAL CARE & DISABILITY INSURANCE
3/5/2021	JE-2	EMPLOYMENT DEVELOPMENT DEPARTMENT	$ 3,813.38	STATE PAYROLL TAXES
3/5/2021	JE-3	INTERNAL REVENUE SERVICE	$ 19,849.30	FEDERAL PAYROLL TAXES
3/5/2021	JE-4	JOHN HANCOCK	$ 9,051.63	RETIREMENT
3/5/2021	JE-5	CALIFORNIA STATE DISBURSEMENT UNIT	$ 995.01	WAGE GARNISHMENT
		TOTAL	**$ 186,463.90**	

BACK

PANOCHE WATER DISTRICT (PWD)

Budget to Actual Revenue and Expenses Report for the year ended February 28, 2021

	Mar 1, 2020 - Feb 28, 2021 (12 Months)		Budget Vs Actual 2021	FYE 2020	FYE 2019
Operating Revenues	ACTUAL	BUDGET	%ages	ACTUAL	ACTUAL
Water Revenue	$ 15,894,233	$ 12,057,497	132%	$ 11,015,394	$ 13,442,399
O & M Revenue	5,022,467	5,072,613	99%	7,545,928	6,888,068
Other Revenue	335,789	750,000	45%	772,783	521,256
Reimbursements From Other Districts	1,647,428	2,475,000	67%	3,741,628	2,151,585
Total Revenue	**$ 22,899,917**	**$ 20,355,110**	113%	**$ 23,075,732**	**$ 23,003,307**
Operating Expenses					
Water Purchases Costs	$ 14,043,441	$ 12,237,044	115%	$ 11,845,298	$ 14,053,054
Operation & Maintenance Costs	$ 9,238,891	$ 9,237,242	100%	$ 9,350,331	$ 9,091,710
Total Expenses	**$ 23,282,332**	**$ 21,474,286**	108%	**$ 21,195,629**	**$ 23,144,764**
Net Revenue/(Deficit)	**$ (382,416)**	**$ (1,119,176)**		**$ 1,880,104**	**$ (141,457)**

PANOCHE WATER DISTRICT (PWD)

Budget to Actual Revenue and Expenses Report for the year ended February 28, 2021

	Mar 1, 2020 - Feb 28, 2021 (12 Months)		Budget Vs Actual 2020	FYE 2020	FYE 2019
Operating Revenues	**ACTUAL**	**BUDGET**	**%ages**	**ACTUAL**	**ACTUAL**
CVP AG Water Contract	5,300,467	4,455,600	119%	7,419,044	6,870,627
Supplemental Water	10,593,766	7,601,897	139%	3,596,350	6,571,772
O & M Revenue	5,022,467	5,072,613	99%	7,545,928	6,888,068
SLDMWA-SGMA Revenue	69,384	179,547	39%		
Other Revenue	266,405	570,453	47%	772,783	521,256
Labor Reimbursements	1,264,543	1,850,000	68%	2,632,602	2,066,363
Other Reimbursements	382,885	625,000	61%	1,109,026	85,222
Total Revenue	$ 22,899,917	$ 20,355,110	113%	$ 23,075,732	$ 23,003,307

PANOCHE WATER DISTRICT (PWD)

Budget to Actual Revenue and Expenses Report for the year ended February 28, 2021

	Mar 1, 2020 - Feb 28, 2021 (12 Months)		Budget Vs Actual 2021	FYE 2020	FYE 2019
Water Costs	**ACTUAL**	**BUDGET**	**%ages**	**ACTUAL**	**ACTUAL**
CVP AG Water Contract	3,705,626	4,455,600	83%	6,886,495	6,920,345
Supplemental Water	10,030,675	7,411,897	135%	4,743,070	6,718,900
SLDMWA -SGMA	69,381	179,547	39%	-	-
Other Water costs	237,759	190,000	125%	102,427	298,097
Total Water Purchases Costs	**$ 14,043,441**	**$ 12,237,044**	115%	**$ 11,731,992**	**$ 13,937,343**

PANOCHE WATER DISTRICT (PWD)

Budget to Actual Revenue and Expenses Report for the year ended February 28, 2021

	Mar 1, 2020 - Feb 28, 2021 (12 Months)		Budget Vs Actual 2021	FYE 2020	FYE 2019
Operation & Maintenance Costs	**ACTUAL**	**BUDGET**	**%ages**	**ACTUAL**	**ACTUAL**
Salaries and Wages	$ 2,375,133	$ 2,602,161	91%	$ 2,846,115	$ 2,633,480
Payroll Taxes	226,730	216,433	105%	385,252	483,327
Employee Benefits	1,386,172	1,437,252	96%	1,579,358	1,255,209
Vacation adjustment payout	489,309	-	0%	-	-
Interest Expenses - DHCCP	112,452	114,000	99%	113,306	115,711
Legal Costs	867,580	750,000	116%	828,367	1,423,877
Annual Audits	95,285	90,000	106%	94,258	164,948
Professional Services	214,785	150,000	143%	58,810	131,553
Utilities	33,023	71,000	47%	69,613	41,718
Communication Costs	78,046	87,000	90%	85,882	86,733
Conferences and Training Costs	40,962	90,000	46%	189,292	196,738
Insurance Costs	120,237	115,000	105%	53,386	129,447
Other Supplies & Services	148,127	142,500	104%	136,787	424,439
SLDMWA-Membership & assessments	169,269	169,675	100%	79,582	96,492
Energy Costs	1,419,224	1,864,207	76%	1,694,734	1,263,015
Chemical Application	227,682	210,000	108%	205,773	260,619
Domestic water plant maintenance	133,506	95,000	141%	93,102	109,044
Laboratory - Water Testing	13,153	24,000	55%	21,115	10,303
Other Districts overhead costs	240,870	296,000	81%	408,752	-
Equipment Repairs & Maintenance Costs	847,348	713,014	119%	520,154	380,768
Total Operation & Maintenance Costs	**$ 9,238,891**	**$ 9,237,242**	100%	**$ 9,463,636**	**$ 9,207,421**

PANOCHE WATER DISTRICT (PWD)

Budget to Actual Revenue and Expenses Report for the year ended February 28, 2021

Equipment Repairs & Maintenance Costs	Mar 1, 2020 - Feb 28, 2021 (12 Months)		Budget Vs Actual 2021	FYE 2020	FYE 2019
	Actual	Budget		Actual	
Equipment repairs	46,641	47,500	98%	26,308	14,343
Engineering costs	-	5,000	0%	2,664	80,730
Pumps & Structures Repairs	435,928	210,000	208%	236,015	115,152
Vehicle repairs & Maintenance	179,803	205,014	88%	170,845	82,357
Office, Houses, Shops Repairs & Maintenance	34,976	95,500	37%	84,323	88,186
Capital Cost - Depreciation	150,000	150,000	100%	-	-
Total Equipment Repairs & Maintenance Costs	**$ 847,348**	**$ 713,014**	119%	**$ 520,154**	**$ 380,768**

BACK

PANOCHE WATER DISTRICT WATER ACCOUNTING

Month: February, 2021

Water Supply																	
District Water March, 2020 - Feb, 2021	Annual AF	2020 March	2020 Apr	2020 May	2020 June	2020 July	2020 Aug	2020 Sept	2020 Oct	2020 Nov	2020 Dec	2021 Jan	2021 Feb	YTD Usage	Transfers Out	Not Pumped	**Remaining Balance**
CCID/FCWD - DC	2,100			10	600	800	640	50						2,100			**0**
SLCC/Eastside - DC	3,136			151	412	819	1,020	486	248					3,136			**0**
FCWD Transfer - DC	168								168					168			**0**
Panoche DD Wells	1,500				49	240	49							338		(1,162)	**0**
Maverick Well #43	2,000			260	177	151								589		(1,411)	**0**
Grower Transfer Ins	658			250				380	28					658			**0**
CCID Grower Wells f/Crdt	1,082			298	376	279	29	100						1,082			**0**
PWD Grower Wells f/Crdt	2,460			332	717	773	427	124	73	7			7	2,460			**0**
Gains or Losses	1,656	38	42	12	584	231	20	504	219	111	(47)	(58)	(102)	1,656			**0**
District Water Total	14,760	38	42	1,313	2,916	3,293	2,185	1,644	736	118	(47)	(58)	(95)	12,187	0		**0**
Bureau Water March, 2020 - Feb, 2021	Annual AF	2020 March	2020 Apr	2020 May	2020 June	2020 July	2020 Aug	2020 Sept	2020 Oct	2020 Nov	2020 Dec	2021 Jan	2021 Feb	YTD Usage	Transfers Out	Loss	**Remaining Balance**
2019-2020 Rescheduled	9,400	2,926	3,051	3,324										9,301		(99)	**0**
2020-2021 20% USBR	18,800		564	694	3,215	2,221	117	3	14	12	11	58	311	7,220	2,180		**9,400**
SJRECWA Transfer	3,981				1,025	714	698	963	581					3,981			**0**
CCID/FCWD	900					900								900			**0**
SLCC/Eastside	1,864					1,000	864							1,864			**0**
FCWD Transfer	1,832					700	700	150	282					1,832			**0**
Grower Transfer Ins	7,379			1,350	2,611	1,312	1,421	568	50	56	11			7,379			**0**
Madera ID Transfer	525											211	314	525			**0**
YUBA Water Transfer	10,738								1,032	556	144		591	2,323	100	(3,335)	**4,980**
Burea Water Total	55,419	2,926	3,615	5,368	6,851	6,847	3,800	1,684	1,959	624	166	269	1,216	35,325	2,180		**14,380**
Total Water Supply	**70,179**	**2,964**	**3,657**	**6,681**	**9,767**	**10,140**	**5,985**	**3,328**	**2,695**	**742**	**119**	**211**	**1,121**	**47,512**	**2,180**	**(3,434)**	**14,380**
Usage																	
Growers		2,964	3,657	6,681	9,767	10,140	5,985	3,328	2,695	742	119	211	1,121	47,410			
Transfers Out/Sales					2,000	180								2,180			
Total Usage/Transfers		2,964	3,657	6,681	11,767	10,320	5,985	3,328	2,695	742	119	211	1,121	49,590			
Diff/Losses: % of Supply	**%**	1%	1%	1%	6%	3%	1%	16%	9%	15%	-29%	-22%	-9%	4%			
Budget to Actual - AF	**40,294**	2,964	3,657	6,681	8,977	9,730	5,632	3,204	2,621	735	119	211	1,121	45,652			**(5,358)**

*** Madera ID number decreased by 58 AF. ***

Westlands Water District

MEMORANDUM

TO: SLDMWA BOARD OF DIRECTORS

FROM: TOM BOARDMAN, WATER RESOURCES ENGINEER

SUBJECT MARCH OPERATIONS UPDATE

DATE: FEBRUARY 26, 2021

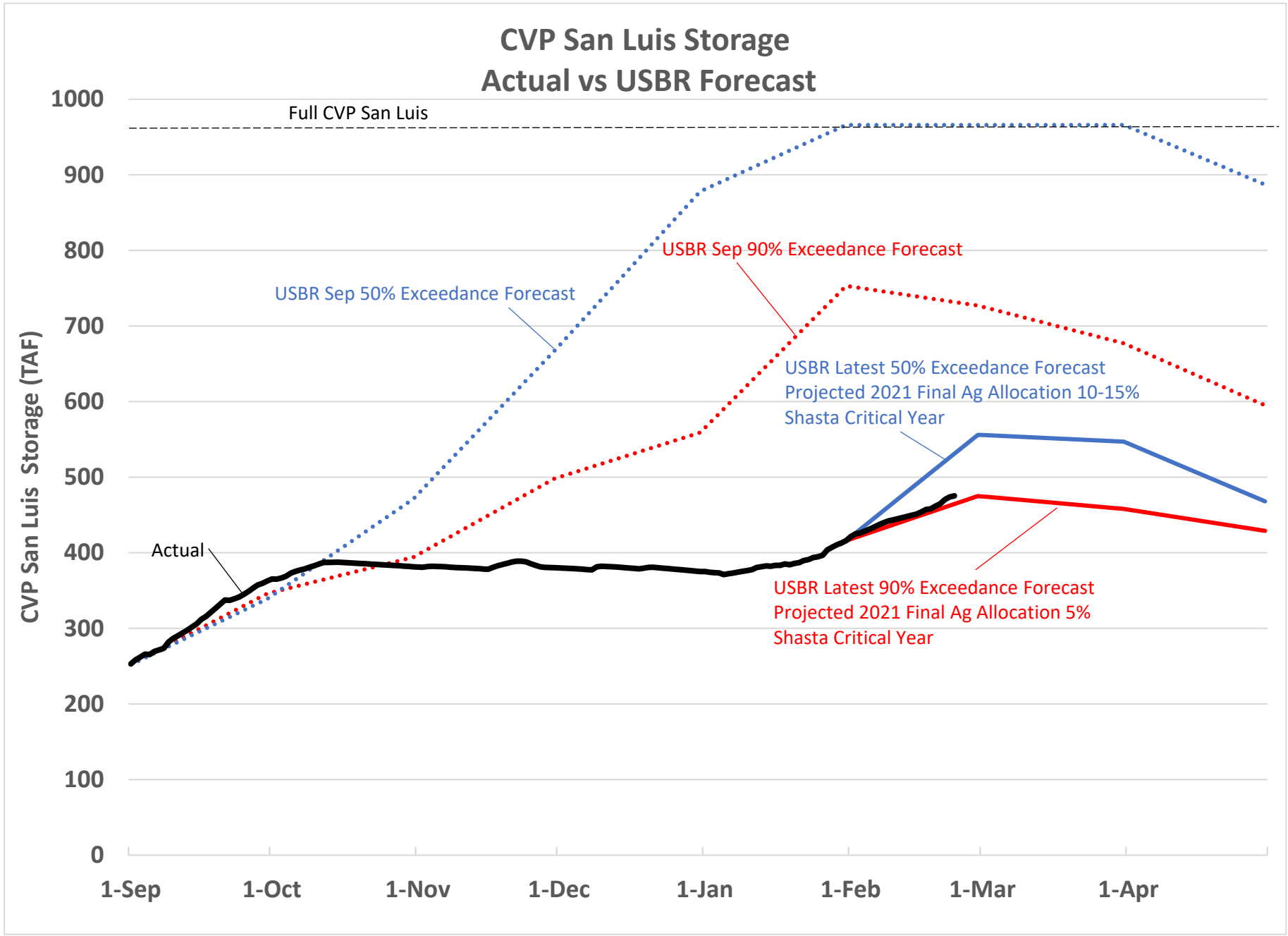
Project Operations

- Jones pumping reached nearly 80% of capacity for a few days during mid-February but has since slipped to near minimum levels due to rapidly declining delta inflow. Increased delta outflow requirements per D1641 will constrain exports until wetter conditions return.
- Banks averaged about 2,300 cfs during February. SWP exports are expected to trail CVP exports during the next few weeks as Project operators balance the export sharing between the Projects; currently about 15-20 TAF in favor of the CVP.
- Sac Valley precipitation is less than 50% of average for February. Although dry conditions are projected through the first week of March, the long-range forecast shows some hope of increased precipitation by mid-month.
- The current storage in Shasta is about 2.7 MAF with inflows declining due to dry conditions. Precipitation during February at the dam is 30% of average. Reclamation's latest forecast shows the carry over storage to be 1.4 MAF and 2.2 MAF under dry and median conditions, respectively.
- Folsom storage is at 342 TAF which is about halfway to the projected maximum storage of 661 TAF shown in Reclamation's latest conservative forecast. The current snowpack above the reservoir is at about 70% of average.
- CVP demands were about 40 TAF during February; about 30% of the 15-year average.

2021 San Luis Operations and Allocation Outlook

The current storage in CVP San Luis is about 477 TAF and is trending closer to Reclamation's conservative operations forecast. The attached San Luis projection graphs show the CVP share near its apex storage of 500 TAF if conditions remain dry. Under median conditions, the CVP share will refill to about 630 TAF before drawing down by late March. Both projections include an estimated 260 TAF of rescheduled water. As such, Reclamation's recent allocation announcement reflects that less than half of the current CVP San Luis storage is available to support 2021 allocations.

With the return of median hydrology by mid-March and minimal export reductions for fish protections, the Ag and Urban allocations could increase by 5-10%. However, the increases would not likely occur until mid to late May due to April and May export uncertainties related to the BiOps.



T.Boardman, WWD
2/24/2021