

**PARADISE IRRIGATION DISTRICT
PARADISE, CALIFORNIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORTS**

JUNE 30, 2018

PARADISE IRRIGATION DISTRICT

Financial Statements
Year Ended June 30, 2018

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Paradise Irrigation District
Paradise, California

Report on the Financial Statements

We have audited the accompanying financial statements of Paradise Irrigation District (the District), as of and for the year ended June 30, 2018, and the related notes to the 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, and the California State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Paradise Irrigation District
Paradise, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for other post-employment benefits plan listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Implementation of New Accounting Standards

As disclosed in Note 1 of the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year 2018. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 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.

Fechter & Company
Certified Public Accountants



Sacramento, California
June 5, 2020

PARADISE IRRIGATION DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2018

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Paradise Irrigation District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2018, the District's net position increased 2.53% or \$767,308 from \$30,353,355 to \$31,120,663.
- The District's operating revenues increased 13.69% or \$992,923 from \$7,254,581 to \$8,247,504.
- The District's operating expenses increased 2.36% or \$171,780 from \$7,273,599 to \$7,445,377.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

PARADISE IRRIGATION DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

These two statements report the District's *net position* and changes in the net position. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality. The District's annual budget is based on a cash basis. This allows the Board to make annual decisions based on the District's cash reserves, not just the effect of Net Position.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Statement of Net Position

	2018	2017	Change
Assets:			
Current assets	\$ 4,196,233	\$ 3,710,048	\$ 486,185
Noncurrent assets	311,954	339,719	(27,765)
Capital assets - Net of depreciation	36,163,650	36,217,790	(54,140)
Total Assets	<u>40,671,837</u>	<u>40,267,557</u>	<u>404,280</u>
Deferred Outflows of Resources:	<u>157,878</u>	-	<u>157,878</u>
Liabilities:			
Current liabilities	2,073,522	2,091,151	(17,629)
Noncurrent liabilities	7,635,530	7,823,051	(187,521)
Total Liabilities	<u>9,709,052</u>	<u>9,914,202</u>	<u>(205,150)</u>
Net Position:			
Net investment in capital assets	29,347,577	28,406,037	941,540
Restricted for debt service	-	570,000	(570,000)
Restricted for capacity fees	-	220,071	(220,071)
Unrestricted	1,773,086	1,157,247	615,839
Total Net Position	<u>\$ 31,120,663</u>	<u>\$ 30,353,355</u>	<u>\$ 767,308</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$31,120,663 as of June 30, 2018.

One of the largest portions of the District's net position (94.30% as of June 30, 2018) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

PARADISE IRRIGATION DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2018

At the end of fiscal year 2018, the District showed a positive balance in its unrestricted net position of \$1,773,086.

Statement of Revenues, Expenses, and Changes in Net Position

	2018	2017	Change
Revenues:			
Operating revenues	\$ 8,247,504	\$ 7,254,581	\$ 992,923
Nonoperating revenues	442,942	629,732	(186,790)
Total Revenues	<u>8,690,446</u>	<u>7,884,313</u>	<u>806,133</u>
Expenses:			
Operating expenses excluding depreciation	5,578,112	5,421,557	156,555
Depreciation	1,867,265	1,852,042	15,223
Nonoperating expenses	185,119	374,628	(189,509)
Total Expenses	<u>7,630,496</u>	<u>7,648,227</u>	<u>(17,731)</u>
Net Income Before Capital Contributions	1,059,950	236,086	823,864
Capital Contributions:	-	166,917	(166,917)
Change in Net Position	1,059,950	403,003	656,947
Net Position, Beginning of Year, restated	<u>30,060,713</u>	<u>29,950,352</u>	<u>110,361</u>
Net Position, End of Year	<u>\$ 31,120,663</u>	<u>\$ 30,353,355</u>	<u>\$ 767,308</u>

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal year. Net position increased by \$767,308 for the fiscal year ended June 30, 2018.

A closer examination of the sources of changes in net position reveals that in 2018, the District's total revenues increased by \$806,133 and total expenses decreased by \$17,731.

Operating Revenues

	2018	2017	Change
Operating Revenues			
Service fee	\$ 4,937,820	\$ 4,399,417	\$ 538,403
Quantity charge	3,085,273	2,629,210	456,063
Fees & adjustments	49,741	40,202	9,539
Outside water sales	117,373	128,186	(10,813)
Recreation fees	39,790	38,814	976
Backflow charges	10,960	10,940	20
Meter charges	6,547	7,812	(1,265)
Total Operating Revenues	<u>\$ 8,247,504</u>	<u>\$ 7,254,581</u>	<u>\$ 992,923</u>

In 2018, operating revenues increased by \$992,923. This is due to an increase in service fee revenue and quantity charge revenue. Service fee revenue increased due to the District's newly enacted rates which were implemented on January 1, 2018, which increased the monthly charge for water services.

PARADISE IRRIGATION DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2018

Quantity charge revenue increased due to increased customer water usage in 2018 compared to 2017. Nonoperating revenues decreased due to a reduction in the amount of property tax revenue received. The District received a share of property taxes in the prior year that were related to bonds that were paid through property tax funds. These bonds were paid off after the fiscal year ended June 30, 2017.

Operating Expenses

	2018	2017	Change
Operating Expenses			
Salaries and benefits	\$ 3,869,265	\$ 3,693,198	\$ 176,067
Professional fees	401,874	269,189	132,685
Depreciation	1,867,265	1,852,042	15,223
Other	1,306,973	1,459,168	(152,195)
Total Operating Expenses	<u>\$ 7,445,377</u>	<u>\$ 7,273,597</u>	<u>\$ 171,780</u>

In 2018, total operating expenses increased by \$171,780, or 2.36%, primarily due to increased salary and employee related costs. There was also an increase in legal fees due to increased legal matters involving general counsel. These operating expenses were partially offset by a reduction in other operating expenses including reduced inventory expenses and the elimination of board election expenses as a board election was held in 2017 and not in 2018. Nonoperating expenses decreased primarily due to a reduction in interest expense as a result of the refinance of the Water Revenue Certificates of Participation.

Capital Asset Administration

At the end of fiscal years 2018, the District's investment in capital assets amounted to \$36,163,650 (net of accumulated depreciation). This investment in capital assets includes land, land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. There were numerous capital asset additions in fiscal year 2018.

Changes in capital asset amounts for 2018 were as follows:

	Balance 6/30/2017	Additions	Transfers/ Deletions	Balance 6/30/2018
Capital Assets:				
Non-depreciable assets	\$ 4,340,160	\$ 1,111,271	\$ -	\$ 5,451,431
Depreciable assets	65,449,590	701,854	-	66,151,444
Accumulated depreciation and amortization	(33,571,960)	(1,867,265)	-	(35,439,225)
Total Capital Assets, Net	<u>\$ 36,217,790</u>	<u>\$ (54,140)</u>	<u>\$ -</u>	<u>\$ 36,163,650</u>

For additional information on capital assets, refer to Note 3.

PARADISE IRRIGATION DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

Debt Administration

In 2018, the Water Revenue Certificates of Participation were refinanced with a Private Placement loan. The District also obtained a planning loan from the California State Water Resource Control Board (SWRCB) to fund the design of a project to replace the District's Reservoir B. Changes in long-term debt amounts for 2018 were as follows:

	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018
2016 Private Placement Loan Payable	\$ 2,438,000	\$ -	\$ (187,000)	\$ 2,251,000
CIEBD Loan Payable	1,233,202	-	(97,429)	1,135,773
Water Revenue Certificate of Participation	4,140,000	-	(4,140,000)	-
2009 COP Premium	16,836	-	(16,836)	-
SWRCB Loan Payable	-	279,178	-	279,178
2017 Private Placement Loan Payable	-	3,361,900	(53,900)	3,308,000
Total	<u>\$ 7,828,038</u>	<u>\$ 3,641,078</u>	<u>\$ (4,495,165)</u>	<u>\$ 6,973,951</u>

For additional information on long-term debt, refer to Note 4.

Conditions Affecting Current Financial Position

On November 8, 2018, the Camp Fire, the most destructive wildfire in California State history, swept through the Town of Paradise and destroyed roughly 90 percent of the Town's residences and businesses. This has resulted in significant damages to the District's capital assets and material effects to the District's future revenues and finances. Refer to Note 12 – Evaluation of Subsequent Events in the notes to the financial statements for further details.

Management is unaware of any other conditions, which could have significant impact on the District's current financial position, net assets or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance and Accounting Manager/Treasurer at 6332 Clark Road, Paradise, CA 95967 or by phone (530) 877-4971.

**PARADISE IRRIGATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,641,691
Accounts receivable	1,223,655
Other receivables	25,370
Prepaid expenses	42,431
Inventories	250,284
Note receivable	12,802
Total current assets	4,196,233

Non-Current Assets:

Investments	54,805
Note receivable - net of current portion	257,149
Capital assets - net of accumulated depreciation	36,163,650
Total non-current assets	36,475,604

TOTAL ASSETS

40,671,837

DEFERRED OUTFLOW OF RESOURCES

Gain from debt refunding	157,878
	157,878

LIABILITIES

Current Liabilities:

Accounts payable	266,048
Accrued payroll liabilities	80,504
Accrued interest	40,900
Funds held for others	525,798
Deposits	262,974
Compensated absences liability	444,070
Current portion of long-term debt	453,228
Total current liabilities	2,073,522

Non-current Liabilities:

Long-term debt - net of current portion	6,520,723
Other post employment benefits	1,114,807
Total non-current liabilities	7,635,530

TOTAL LIABILITIES

9,709,052

NET POSITION

Net investment in capital assets	29,347,577
Unrestricted	1,773,086
	31,120,663

TOTAL NET POSITION

\$ 31,120,663

The accompanying notes are an integral part of these financial statements.

PARADISE IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES:

Water sales and service	\$ 8,072,834
Outside water sales	117,373
Other operating revenues	<u>57,297</u>
 Total operating revenues	 <u>8,247,504</u>

OPERATING EXPENSES:

Salaries and benefits	3,869,265
Supplies	208,782
Office	214,887
Utilities	231,398
Repairs and maintenance	172,476
Gas and oil	55,304
Insurance	114,036
Training	60,431
Service charges	122,172
Professional fees	401,874
License and fees	111,571
Other	15,916
Depreciation	<u>1,867,265</u>
 Total operating expenses	 <u>7,445,377</u>
 Operating loss	 <u>802,127</u>

Non-operating revenues and (expenses):

Gain on investments	36
Interest income	46,980
Interest expense	(185,119)
Property taxes and assessments	301,184
Connection fees	43,760
Other income	<u>50,982</u>
 Total non-operating revenues	 <u>257,823</u>

Change in net position 1,059,950

Beginning net position	30,353,355
Prior period adjustment	<u>(292,642)</u>
Beginning net position, restated	<u>30,060,713</u>
 Ending net position	 <u><u>\$ 31,120,663</u></u>

The accompanying notes are an integral part of these financial statements.

**PARADISE IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

Cash flows from operating activities:

Cash received from customers for water sales	\$ 8,122,164
Cash received from others	56,393
Cash paid to suppliers	(1,575,852)
Cash paid to employees	(3,690,106)
Net cash provided by operating activities	2,912,599

Cash flows from non-capital financing activities:

Payment on funds held for others	30,730
Taxes and assessments received	301,184
Other revenue received	50,982
Net cash provided by non-capital financing activities	382,896

Cash flows from capital and related financing activities:

Purchase of capital assets	(1,813,125)
Principal payments on long-term debt	(4,483,020)
Issuance of long-term debt	3,471,055
Interest paid	(212,169)
Connection fees	43,760
Net cash used by capital and related financing activities	(2,993,499)

Cash flows from investing activities:

Interest received	46,980
Principal received on note receivable	11,998
Investment income received	15,000
Net cash provided by investing activities	73,978

Net increase in cash and cash equivalents	375,974
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Cash and cash equivalents, beginning of year	2,265,717
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Cash and cash equivalents, end of year	\$ 2,641,691
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The accompanying notes are an integral part of these financial statements.

**PARADISE IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018**

**Reconciliation of operating income to net cash
provided by operating activities:**

Operating income	\$ 802,127
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,867,265
Changes in assets and liabilities:	
Accounts receivable	(131,319)
Other receivables	(904)
Prepaid expenses	55,444
Inventories	(32,629)
Accounts payable	110,180
Customer deposits	63,276
Salaries payable	66,516
Compensated absences liability	22,326
Post-employment benefit obligations	90,317
	90,317
Net cash provided by operating activities	\$ 2,912,599

The accompanying notes are an integral part of these financial statements.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Paradise Irrigation District (District) conform to generally accepted accounting principles as they apply to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

Financial Reporting Entity

The District was established as an independent enterprise special district in March 1916 under the California Water Code. The District is a public water utility district and therefore, falls under the guidelines of a special district governmental entity. The District is governed by a five member Board of Directors that are elected by the voting citizens of the town of Paradise, California.

The District stores, treats, transports, and distributes water to the residents of the Paradise, California community. The primary source of revenues for the District is water service and sales.

The District entered into an agreement with the Town of Paradise (Town) in 1991 for fire hydrant maintenance. The District collects fees from metered customers as defined by the Town. The District is required to use these funds for installation and maintenance of hydrants in the town. The District reports the amount as funds held for others on the financial statements.

These financial statements present the financial data of Paradise Irrigation District and its component unit, Paradise Irrigation District Public Facilities Financing Corporation. Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Paradise Irrigation District Public Facilities Financing Corporation (the Corporation) was incorporated in January 1993. The Corporation is a nonpublic benefit corporation whose primary purpose is to provide assistance to the District by financing acquisition, construction, and installation of public facilities for use of the District. Separate financial statements for the Corporation are not issued. The Corporation had no activity for the year ended June 30, 2018.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basic Financial Statements

These financial statements are presented in accordance with GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34). The District is engaged only in business-type activities and is required to present the financial statements required for enterprise funds which are part of proprietary funds.

Basis of Presentation

Proprietary funds account for activities of the District similar to those found in the private sector, where cost recovery and the determination of net income are useful or necessary for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Currently enterprise funds are the only type of proprietary fund that the District uses.

Measurement Focus and Basis of Accounting

The statement of net position and statement of revenues, expenses, and changes in fund net position are reported using the flow of economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been made. Such revenue is subject to review by the funding agency, which may result in disallowance in subsequent periods.

All of the District's activities are accounted for in a single proprietary or business-type fund. Proprietary funds distinguish operating revenues and expenses from non-operating items and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as either non-operating revenues and expenses or capital contributions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District's cash and cash equivalents include restricted and unrestricted cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted Assets

The restricted cash and cash equivalents are certain resources set aside for repayment of debt obligations and are classified as restricted assets on the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. There were no restricted assets as of June 30, 2018.

Receivables

Accounts receivable consists of amounts due on water services from customers. Delinquent receivables are submitted annually to the Butte County Tax Assessor to be encumbered on secured property tax bills. As a result of the process, no doubtful account allowance was deemed necessary on June 30, 2018. Other receivables consist primarily of grants receivable for expenses incurred on pipeline projects.

Inventory

Inventories consist primarily of materials and supplies used in the maintenance and improvement of the District's water distribution system. Inventories are valued at cost using an average price method. Inventories are expensed when the resources are used.

Prepaid Expenses

Certain payments for insurance and to other vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position and expensed as the items are used.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$10,000 and a useful life of three years or more. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair market value on the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on assets acquired with debt. The amount of interest to be capitalized is offset by the interest earned on invested debt proceeds over the construction period.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - continued

Depreciation on all capital assets is computed using a straight-line basis over the estimated useful lives of the various classes of depreciable capital assets as follows:

Dams and Property	25 – 75 years
Recreation Facilities	7 – 10 years
Pumping Plant	25 years
Water Treatment Plant	7 – 40 years
Transmission and Distribution System	25 – 35 years
General Plant and Office Facilities	5 – 10 years
Vehicles	5 – 10 years

Compensated Absences Liability

Vacation and sick leave is accumulated for District employees at varying amounts per year depending on length of employment. Upon termination of employment the District will pay out vacation at 100% of accumulated amounts and sick leave at varying amounts from 25% to 75%, depending on the length of employment. The District has accrued a liability for accrued vacation and sick leave that has been earned but not taken by District employees.

Long-Term Debt

Obligations with terms over one year are reported as long term obligations. Long term debt consists primarily of Certificates of Participation and other notes related to capital asset additions.

Certificates of Participation premiums and discounts are deferred and amortized over the life of the issuance. Gains or losses on prior refundings are amortized over the remaining life of the debt.

Net Position

Net position in the proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position - continued

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

Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”. When both restricted and unrestricted net assets are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations, which is water sales and services. Operating expense for the District includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property Tax Revenue

Butte County is responsible for assessing, collecting, and apportioning property taxes. Property taxes are recognized as revenues in the year they are levied to the extent that they result in current receivables. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on July 1 and are payable in two installments, December 10 and April 10. Property taxes are remitted to the District in installments during the year.

Unbilled Service Revenues

Operating revenues for the District include sales of water. These revenues are billed to customers monthly. Unbilled revenue is recorded based on usage as of June 30, 2018, that is billed during the month of July 2018. Unbilled revenue in the amount of \$810,760 is included in revenues for the year ended June 30, 2018.

Facility Contributions

Facility contributions are comprised of water system property and facilities that have been donated to the District. Amounts are recorded in the year they are received.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

New Accounting Pronouncement

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

NOTE 2: CASH AND INVESTMENTS

Cash and investments are reported in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 2,641,691
Investments	<u>54,805</u>
Total Cash and Investments	<u>\$ 2,696,496</u>

Cash and investments at June 30, 2018, consist of the following:

Petty cash	\$ 1,000
Demand deposits	415,195
Local Agency Investment Fund	2,225,496
Investments	<u>54,805</u>
Total Cash and Investments	<u>\$ 2,696,496</u>

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code and the District's investment policy do not contain legal or policy requirements limiting exposure to custodial risk for deposits or investments. The California Government Code requires that a bank secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Deposits - continued

As of June 30, 2018, all of the District's deposits in excess of the federal depository insurance limits were collateralized as required by law. As of June 30, 2018, the carrying amount of the District's deposits, were \$415,195, and the bank balances were \$519,358.

Investments

As of June 30, 2018, the District had the following investments:

<u>Investment Description</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1 to 5</u>
Municipal bonds	<u>\$ 54,805</u>	<u>\$ -</u>	<u>\$ 54,805</u>
Total Investments	<u>\$ 54,805</u>	<u>\$ -</u>	<u>\$ 54,805</u>

Investments are reported at fair value. The Local Agency Investment Fund (LAIF) is a special fund for the California State Treasury through which local governments may voluntarily pool investments. For the purpose of these financial statements, the fair value of amounts in LAIF is equivalent to dollars held.

The District has adopted a formal investment policy as required by Section 53600 of the California Government Code. The District's Treasurer has responsibility for selecting depositories and investing idle funds in accordance with the adopted investment policy.

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 53601 through 53659 and contractual agreements.

Investments held by the bond/COP fiscal agents (trustees) are governed by the provisions of the various debt indenture agreements rather than the general provisions of the District's investment policy or the California Government Code.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Investments - continued

The table below identifies the investment types that are authorized by the District's investment policy:

	<u>Maximum Maturity</u>	<u>Maximum Specified Percentage of Portfolio</u>	<u>Minimum Quality Requirements</u>
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State Obligations - CA and Others	5 Years	None	None
CA Local Agency Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
Bankers' Acceptances	180 Days	0.4	None
Commercial Paper - Select Agencies	270 Days	0.25	A-1/P-F-1
Negotiable Certificates of Deposit	5 Years	0.3	None
CD Placement Service	5 Years	0.3	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Notes	5 Years	0.3	"A" Rating
Mutual Funds and Money Market	N/A	0.2	Multiple
Funds Collateralized Bank Deposits	5 Years	None	None
Mortgage Pass-Through Securities	5 Years	0.2	"AA" Rating
Bank/Time Deposits	5 Years	None	None
County Pooled Investment Funds	N/A	None	None
Joints Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None

Credit Risk

California Government Code Section 53601 limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Nationally Recognized Statistical Rating Organizations (NRSROs), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District's investment in the local agency investment pool is unrated. As of June 30, 2018, the District's investments were in compliance with the ratings required by the District's investment policy and the Bond/COP Indenture Agreements.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk

California Government Code Section 53601 limits the District's investments to maturities of five years. The District manages its exposure to interest rate risk by purchasing a combination of shorter and longer-term investments. The District also manages cash flows by purchasing investments so that the portfolio is maturing evenly over time to provide adequate cash flow and liquidity needed for District operations.

NOTE 3: NOTE RECEIVABLE

Note receivable at June 30, 2018, consisted of the following:

Note receivable from the ARC of Butte Co. Inc., in monthly Installments of \$2,498 including interest at 6.50%. The note is due in January 2032 and is secured by real property	\$ 269,951
Less: Current Portion	<u>(12,802)</u>
Note Receivable, Net of Current Portion	<u>\$ 257,149</u>

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, is shown below:

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
Capital assets, not being depreciated:				
Land	\$ 2,071,692	\$ -	\$ -	\$ 2,071,692
Construction in progress	2,268,468	1,111,271	-	3,379,739
Total capital assets, not being depreciated	<u>4,340,160</u>	<u>1,111,271</u>	<u>-</u>	<u>5,451,431</u>
Capital assets, being depreciated:				
Dams & dam property	7,499,535	-	-	7,499,535
Recreation facilities	202,868	-	-	202,868
Pumping plant	495,980	-	-	495,980
Water treatment plant	19,284,968	-	-	19,284,968
Transmission and distribution system	31,659,615	640,552	-	32,300,167
General plant	3,286,094	29,936	-	3,316,030
Vehicles	1,796,199	31,366	-	1,827,565
Office facilities	1,224,331	-	-	1,224,331
Total capital assets, being depreciated	<u>65,449,590</u>	<u>701,854</u>	<u>-</u>	<u>66,151,444</u>
Less accumulated depreciation for:				
Dams & dam property	4,845,717	115,618	-	4,961,335
Recreational facilities	167,764	5,890	-	173,654
Pumping plant	375,733	13,287	-	389,020
Water treatment plant	10,102,697	477,788	-	10,580,485
Transmission and distribution system	15,230,142	1,082,717	-	16,312,859
General plant	728,213	85,735	-	813,948
Vehicles	1,685,810	38,268	-	1,724,078
Office facilities	435,884	47,962	-	483,846
Total accumulated depreciation	<u>33,571,960</u>	<u>1,867,265</u>	<u>-</u>	<u>35,439,225</u>
Total capital assets, being depreciated, net	<u>31,877,630</u>	<u>(1,165,411)</u>	<u>-</u>	<u>30,712,219</u>
Capital assets, net of depreciation	<u>\$ 36,217,790</u>	<u>\$ (54,140)</u>	<u>\$ -</u>	<u>\$ 36,163,650</u>

Depreciation expense for the year ended June 30, 2018 totaled \$1,867,265.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 5: LONG-TERM DEBT

Long-term debt at June 30, 2018, consisted of the following:

2016 Private Placement Loan Payable to Capital One Public Funding, LLC with principal and interest payments at 2.42% due semi-annually in November and May. The loan is due in November 2028.	\$ 2,251,000
Loan payable to the California Infrastructure and Economic Development Bank, with principal payments due annually in September and interest payable semi-annually at 2.77%. The note is due in September 2027.	1,135,773
Loan payable to the State Water Resources Control Board (SWRCB) for the Reservoir "B" Replacement Project. Principal payments are due semi-annually in January and July and interest is payable semi-annually at 1.6%.	279,178
2017 Private Placement Loan Payable to Branch Banking and Trust Company with principal and interest payments at 2.28% due semi-annually in October and April. The loan is due in October 2024.	<u>3,308,000</u>
Subtotal	6,973,951
Less: Current Portion	<u>(453,228)</u>
Long-Term Debt, Net of Current Portion	<u><u>\$ 6,520,723</u></u>

A schedule of changes in long-term debt is shown below:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
2016 Private Placement					
Loan Payable	\$ 2,438,000	\$ -	\$ (187,000)	\$ 2,251,000	\$ 95,000
CIEBD Loan Payable	1,233,202	-	(97,429)	1,135,773	100,128
Water Revenue Certificate of Participation	4,140,000	-	(4,140,000)	-	-
2009 COP Premium	16,836	-	(16,836)	-	-
SWRCB Loan Payable	-	279,178	-	279,178	-
2017 Private Placement					
Loan Payable	-	3,361,900	(53,900)	3,308,000	258,100
Total	<u>\$ 7,828,038</u>	<u>\$ 3,641,078</u>	<u>\$ (4,495,165)</u>	<u>\$ 6,973,951</u>	<u>\$ 453,228</u>

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 5: LONG-TERM DEBT- CONTINUED

Annual requirements to amortize long-term debt outstanding as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 453,228	\$ 155,879	\$ 609,107
2020	724,200	131,866	856,066
2021	741,200	100,645	841,845
2022	1,015,200	83,368	1,098,568
2023	771,300	59,857	831,157
2024-2028	2,106,677	143,254	2,249,931
2029-2033	700,275	24,811	725,086
2034-2035	182,693	2,006	184,699
Total	<u>\$ 6,694,773</u>	<u>\$ 701,686</u>	<u>\$ 7,396,459</u>

* The loan payable to SWRCB was forgiven in March 31, 2020, and therefore is not included in the amortization schedule above.

NOTE 6: FUNDS HELD FOR OTHERS

On June 5, 1991, the District entered into an agreement with the Town of Paradise Fire Department (the Town) to collect a surcharge to maintain hydrants. This agreement was amended in 1999 to include pre-approved relocation and/or replacement of water mains. The agreement was most recently amended on July 1, 2004, to address changes in administrative fees charged by the District. Funds collected and not expended or returned to the Town are reflected as a liability. The amount owed to the Town at June 30, 2018, is \$525,798.

NOTE 7: DEFERRED COMPENSATION AND MONEY PURCHASE RETIREMENT PLANS

The District participates in a 457 Deferred Compensation Plan and 401(a) Money Purchase Retirement Plan, both of which are administered by the ICMA Retirement Corporation for the benefit of its employees. The District's manager has a separate 401(a) plan administered by the ICMA Retirement Corporation. The purpose of these programs is to provide deferred compensation for employees that elect to participate in the plans. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseen emergency. The District will contribute 9% of the employees' base pay to the 457 Plan and will match up to 3% of the employees' elected deferral into the 401(a) Plan. Employees may elect to defer up to 3% of their base pay to the 457 Plan. The District's retirement contribution expense for the year ended June 30, 2018, was \$279,167.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Plan Description

The District provides post-employment health care benefits to eligible employees through a single employer defined benefit health care plan administered by the District. The District provides post-employment health care benefits to all employees who retire from the District on or after attaining the age of 55 with at least 20 years of service in the District. The District provides medical benefits to retirees and their qualified dependents until normal full Medicare benefits become available for the employee. The District will contribute a percentage of the cost based on their age plus their years of service as follows: 75 = 50%; 80 = 75%; and 85+ =100%. The difference in District contribution and like coverage shall be borne by the retiree.

On June 30, 2018, 4 retirees met these eligibility requirements and were participants. The District currently has 32 additional active employees who may become eligible to retire and receive benefits in the future.

Funding Policy

While GASB Statement 75 requires that the liability for all post-employment benefits be measured, it does not require that an agency “pre-fund” the accrued liability. The District will pay for the post-employment healthcare cost on a “pay-as-you-go” basis. The provisions of GASB Statement 75 determine the amount that must be presented as an annual expense and accrued liability on the District’s financial statements. The contributions made on behalf of the plan members for the year ended June 30, 2018 were \$50,765.

The District’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Net OPEB Liability

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Assumed retirement age	62
Discount rate*	3.80 percent
Salary increases	2.75 percent
Healthcare cost trend rate	4.00 percent

* The discount rate is based on the Bond Buyer 20 Bond Index.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) - CONTINUED

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position, and the net OPEB liability during the measurement period ending on June 30, 2018 for the District.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2017, restated	\$ 1,024,490	\$ -	\$ 1,024,490
Changes recognized for the measurement period:			
Service cost	101,245	-	101,245
Interest	39,837	-	39,837
Employer contributions	-	50,765	(50,765)
Benefit payments	(50,765)	(50,765)	-
Net Changes	90,317	-	90,317
Balance at June 30, 2018	<u>\$ 1,114,807</u>	<u>\$ -</u>	<u>\$ 1,114,807</u>

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current discount rate:

	1% Decrease 2.80%	Discount Rate 3.80%	1% Increase 4.80%
District's proportionate share of the net OPEB liability	\$ 1,168,698	\$ 1,114,807	\$ 1,058,793

Sensitivity of the District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (3 percent) or 1 percentage-point higher (5 percent) than the current healthcare cost trend rates:

	Healthcare Cost Trend - 1%	Healthcare Cost Trend Assumed	Healthcare Cost Trend + 1%
District's proportionate share of the net OPEB liability	\$ 1,073,563	\$ 1,114,807	\$ 1,139,077

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks including loss or damage to property, general liability, and injuries to employees. The District participates in a public entity risk pool as a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA). Each ACWA/JPIA member agency shares surpluses and deficits proportionally to their participation. The District pays retrospectively rated annual premiums to ACWA/JPIA for its insurance coverage and has met all obligations since participation began. Requests for additional financial information should be addressed to ACWA/JPIA, P.O. Box 619082, Roseville, CA 95661-9082.

NOTE 10: CONTINGENCIES

NPDES Permit

The United States Environmental Protection Agency operates the National Pollutant Discharge Elimination System (NPDES) permit program. The NPDES has notified the District that certain aluminum levels in the water system are higher than allowed under the permit. Fines have been assessed but the District was able to offset the fines with proof of money spent on correcting the problem. The District is in the design phase of system modifications to correct the problem. The District has estimated that the cost of the project will be approximately \$17,500,000 and will be completed over the next few years. The District is in the process of exploring financing opportunities for the project.

Water Rights

The District contracted for a review of its water use under its Appropriative Water Rights Permits in preparation for the filing of its Petitions for Extension of Time with the State Water Board in December 2007. The resulting consultant report presented to the District Board on July 18, 2007, revealed certain permit compliance exceptions. These exceptions are potentially subject to civil liability by the State Water Board. The State Water Board enforcement division has historically not prosecuted permit exceptions unless harm has been shown to another user of water, typically brought to the Board's attention in related proceedings. However, even where enforcement action is taken, liability imposed is mitigated by factual circumstances, including the extent of harm caused, the nature and persistence of the violation, the length of time over which the violation occurs, and the corrective action taken. No user of water has come forward claiming harm and the District has taken corrective action regarding the permit compliance exceptions.

Upon re-evaluation, the District believes that there have been no exceptions to its permit compliance, as the water exceedances can be accounted for through the use of recycled water within the District's water system. The District's Petitions for Extension of Time, within which is to perfect its water rights permits, are still pending before the California State Water Board. The risk of enforcement action still exists, but liability exposure should be minimal due to the District's accounting for the permit exceedances.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 10: CONTINGENCIES – CONTINUED

Water Rights – Continued

At this time, the District is still in the process of completing its environmental work on the water rights permit extensions. Once completed, the environmental analysis will be published for public review and comment, including review by the State Water Board. An actual decision on the granting of the District's petition for extension of its water rights permits will likely take several more years due to the backlog of pending petitions with the State Water Board.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 11: COMMITMENTS

As of June 30, 2018, the District is committed under numerous contracts related to various construction projects. The total amount of the contracts was \$1,697,212. As of June 30, 2018, the District has paid \$1,361,373 on the contracts. The remaining liability of the District for the construction projects at June 30, 2018, was \$335,839.

NOTE 12: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 5, 2020, the date which the financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

On November 8, 2018, the Camp Fire, the most destructive wildfire in California State history, swept through the Town of Paradise and destroyed roughly 90 percent of the Town's residences and businesses. This has resulted in significant damages to the District's capital assets and material effects to the District's future revenues and finances. The District is actively working to repair the damage incurred as a result of the Camp Fire with both internal crews and outside contractors as part of a long-term recovery plan. The District has entered into contracts for engineering and project management services related to the recovery process, public assistance consulting services, and service line replacement construction services. The District is actively working with Federal, State, and local partners, as well as insurance, to secure funding for long-term recovery projects.

PARADISE IRRIGATION DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 12: EVALUATION OF SUBSEQUENT EVENTS – MANAGEMENT REVIEW – CONTINUED

The District is also working with insurance and the State of California to secure short term backfills of lost revenue. Additionally, the District has filed a claim against the Pacific Gas and Electric Company for property damages and long-term lost revenues. The outcome of the pending claim is currently unknown. The District has also obtained postponement and forgiveness of long-term debt including: forgiveness of the entire balance of the loan payable to the State Water Resource Control Board, deferral until the end of the term of the loan of interest and principal payments from August 1, 2019 through August 1, 2024 for the loan payable to the California Infrastructure and Economic Development Bank, deferral until April 1, 2022 of the principal and interest payments due April 1, 2019 for the 2017 Private Placement loan payable to Branch Banking and Trust Company, and deferral until November 1, 2028 of principal and interest payments due May 1, 2019 for the 2016 Private Placement Loan payable to Capital One Public Funding, LLC.

In January 2020, the virus SARS-CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent with transmission rates as yet unknown. The economic impact in the State of California and the County of Butte as yet has not been determined and therefore any potential impact on the District is not yet known.

REQUIRED SUPPLEMENTARY INFORMATION

**PARADISE IRRIGATION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

Last 10 Fiscal years*

	2018
Net OPEB liability	
Service cost	\$ 101,245
Interest	39,837
Benefit payments	(50,765)
Net change in Net OPEB liability	90,317
 Net OPEB liability - beginning, restated	 1,024,490
 Net OPEB liability - ending	 \$ 1,114,807
 Covered payroll	 \$ 2,470,326
Net OPEB liability (asset) as a percentage of covered payroll	45.13%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

* Fiscal year ended June 30, 2018 was the first year of implementation. Additional years will be presented as they become available.

OTHER INDEPENDENT AUDITOR'S REPORT

**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**

Board of Directors
Paradise Irrigation District
Paradise, 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 Paradise Irrigation District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 5, 2020.

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) to determine the 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 internal control 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

Board of Directors
Paradise Irrigation District
Paradise, California

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Fechter & Company,
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs".

Sacramento, California
June 5, 2020