

TEA POT DOME WATER DISTRICT

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tea Pot Dome Water District:

Opinion

We have audited the accompanying financial statements of the Tea Pot Dome Water District (the District) as of and for the years ended December 31, 2021 and 2020, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tea Pot Dome Water District as of December 31, 2021 and 2020, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 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 our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cuttone & Mastro

Fresno, California
May 18, 2022

**TEA POT DOME WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2021**

This section of the annual financial report presents our discussion and analysis of the Tea Pot Dome Water District's financial performance during the fiscal years that ended on December 31, 2021 and 2020. Please read it in conjunction with the District's financial statements which immediately follow this section.

Discussion of the Basic Financial Statements

The District operations are accounted for as a proprietary fund. A proprietary fund is a governmental enterprise fund type where accounts are maintained in a similar manner as a business operating in the private sector. The District maintains its accounts on the accrual basis of accounting where, revenues are recognized when earned and expenses are recognized when incurred. The measurement focus of the financial statements is the determination of changes in net position, financial position and changes in cash flows.

Overview of the Financial Statements

The financial statements presented in this annual report include the activities of Tea Pot Dome Water District using the reporting model as prescribed by Governmental Accounting Standards Board Statement Number 34 (GASB 34). The report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information, if any. The District's financial statements include (1) Statement of Net Position (2) Statement of Revenues, Expenses and Changes in Net Position and (3) Statement of Cash Flows. The Statement of Net Position provides information about assets and obligations of the District as of December 31, 2021. The Statement of Revenues, Expenses and Changes in Net Position provides information regarding the District's operations for the year ended December 31, 2021. The Statement of Cash Flows reports cash resources and uses from or for operating activities, capital and related financing activities, and investing activities for the year then ended. The basic financial statements also include notes that further explain some of the information presented in the financial statements and provide more detailed data.

Condensed Comparative Financial Statement

CONDENSED STATEMENT OF NET POSITION

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 1,775,246	\$ 1,487,442
Capital Assets, Net	1,907,835	1,937,059
Noncurrent Assets	22,443	29,258
Investment in Deer Creek & Tule River Authority	23,537	23,697
Total Assets	<u>\$ 3,729,061</u>	<u>\$ 3,477,456</u>
Current Liabilities	\$ 30,987	\$ 32,639
Long-Term Liabilities	342,778	-
Deferred Inflow s of Resources	525,590	508,792
Total Liabilities and Deferred Inflow s of Resources	<u>899,355</u>	<u>541,431</u>
Investment in Capital Assets	1,907,835	1,937,059
Unrestricted	921,871	998,966
Total Net Position	<u>2,829,706</u>	<u>2,936,025</u>
Total Liabilities, Deferred Inflow s of Resources and Net Position	<u>\$ 3,729,061</u>	<u>\$ 3,477,456</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total Operating Revenues	\$ 1,076,858	\$ 1,283,777
Total Operating Expenses	<u>(1,203,769)</u>	<u>(1,379,426)</u>
Operating Income(Loss)	(126,911)	(95,649)
Non-operating Revenue(expense)	20,592	21,161
Net Increase (decrease) in Net Position	<u>\$ (106,319)</u>	<u>\$ (74,488)</u>

TEA POT DOME WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2021

Condensed Comparative Financial Statement, continued

The 2021 water year was much drier as compared to 2020. Therefore, revenues were down from the previous year. There was an increase in operating expenditures in 2021. Electricity costs decreased in 2021 due to the decrease in allocation to all the landowners resulting in less pumping of water. Despite reporting an operating loss of \$126,911, the District remains in a healthy financial condition, as there are more than sufficient assets to cover liabilities.

Budget Variances

	2021 <u>BUDGET</u>	ACTUAL <u>EXPENSE</u>	<u>VARIANCE</u>
General & Administration	\$ 333,308	\$ 286,457	\$ 46,851
Operations & Maintenance	<u>1,147,000</u>	<u>874,188</u>	<u>272,812</u>
SUB-TOTAL - NON WATER	1,480,308	1,160,645	319,663
Capital Improvements	30,000	13,900	16,100
Debt Payments	<u>15,000</u>	<u>15,979</u>	<u>(979)</u>
Grand Total	\$ <u>1,525,308</u>	\$ <u>1,190,524</u>	\$ <u>334,784</u>

The District budgets for expenditures only. The District does use a projected cash flow analysis, which estimates revenues, as a tool when preparing the budget. The District does not budget for Depreciation.

The positive variance for General & Administration was mostly due to the decrease in membership payments made to the Friant Water Authority as a result of less water being allocated in 2021. There was a positive variance under Operations & Maintenance due to the decrease in water purchases in 2021. Overall, there was a positive variance of \$334,784.

Tea Pot Dome Water District Capital Projects

Meter Replacement Program

In 2021 District management continued working on the task of upgrading and replacing the older meters in the District. This will ensure better accuracy and accounting of water usage. This is an ongoing project and more meters will be replaced in 2022.

Solar Panel Project

Because of the District's location, east of the Friant Kern Canal, the District uses a number of lift pumps to get water to its landowners. These pumps use a considerable amount of energy which is very costly for the District. In 2018 management began researching the option of installing Solar Panels in the hopes of reducing energy costs. During 2019 an agreement was entered into with a solar company to place solar panels on property owned by the District. The appropriate permits and easements were obtained and construction began in 2021. Construction is expected to be complete in 2022.

**TEA POT DOME WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2021**

Overall Analysis

Supply

The District receives its water supply from the United States Bureau of Reclamation:

1. CVP Contract. - The District has a contract with the United States Bureau of Reclamation for 7,200 acre-feet of CVP supply from the Friant Division of the CVP. The Water Year is March 1 through February 28 annually.

Water Usage by Customers

Water is supplied to landowners through the Districts internal delivery system. The District allocates water to landowners. A full allocation for a water year is 2.15 acre-feet per acre.

Pricing

The Board of Directors sets the price of water. The Board sets the price based on the following criteria:

1. Hydrologic conditions
2. Seasonal considerations
3. District annual budget
4. Price of the available water.

Sales to growers during the 2021 Water Year totaled 3,978 acre-feet. There was 1,165 acre-feet recharged by the District during the 2021 water year.

The 2021 water rates set by the Board were \$115 per acre-foot base delivery rate and \$140 per acre-foot for water users east of the lift station located at the District office. There was emergency water from District wells available to landowners at a rate of \$300 per acre-foot during 2021.

The factors materially affecting District operations or water supply availability during the year were hydrology, Millerton reservoir operations and weather.

In 2014, the state of California passed the Sustainable Groundwater Management Act. The Act calls for regulation and management of groundwater pumping for the first time in the history of the state. In 2017, the District joined other entities in the Tule Basin, forming the Eastern Tule Groundwater Sustainability Agency, tasked with developing a Groundwater Sustainability Plan to comply with the Act. In early 2020, the Eastern Tule Groundwater Sustainability Agency submitted their Groundwater Sustainability Plan to the California Department of Water Resources and are in the process of implementing the plan.

Other Items

SJR Settlement Act – Public Law 111-11

The Tea Pot Dome Water District was party to a long running lawsuit between the Natural Resources Defense Council and the Bureau of Reclamation (Rodgers named as Fed Government party). The Plaintiffs have asserted the Federal Government must comply with Section 5937 of the California Fish and Game Code wherein the operator of a dam must maintain a fishery of good condition below the dam. A ruling in favor of the Plaintiffs could have resulted in water being released from Friant dam to meet the provisions of Section 5937. A release of water from Friant dam would impact the water available to the District under their Friant water contract with the Bureau of Reclamation. In September of 2005, the parties reinitiated settlement discussions.

**TEA POT DOME WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2021**

Other Items, Continued

These are the public facts of the case. Additional information is subject to attorney – client privilege and therefore are not disclosed.

In July of 2006, the plaintiffs and defendants in the case announced that they had reached agreement on terms of a settlement. Final settlement was contingent upon action by Congress on terms that implement the settlement agreement. The base premise of the settlement provides water for river restoration in exchange for a cap on the amount of water and money supplied by the defendants.

In 2007, the settling parties, and local elected officials, drafted legislation implementing the settlement. The legislation, (labeled HR 4074 at the time) was approved by the House Resources Committee of the United States House of Representatives. HR 4074 has not been voted on by the House of Representatives as a whole.

In July 2008, Federal legislation needed to fully implement a Settlement reached to restore the San Joaquin River from Friant Dam to the confluence of the Merced River, known as the San Joaquin River Restoration Settlement Act, became part of Senate Bill 3213, Omnibus Public Land Management Act of 2008. On January 15, 2009 the bill passed in the Senate. On March 25 2009 it passed in the House. On March 30, 2009 it was signed by President Obama and became Public Law 111-11. Included in P.L. 111-11 was the provision that required the Secretary of the Interior to convert the current Friant contracts to Section 9d contracts, pursuant to Reclamation Law. The conversion of the contract required the District, and the other Friant contractors, to pre-pay their current capital obligations. The current capital repayment is structured through the water rates and is due in full in 2030. The repayment under the 9e form of contract was collected through the annual water rates and was without interest.

Converting the contracts to a 9d form of repayment required the District to finance the unpaid balance. The amount owed in 2030 under the 9e form of contract was discounted to a present-day value.

9d Contract Conversion

In 2010 the Board voted to authorize execution of a 9d repayment contract with the United States Bureau of Reclamation. The contract was executed on December 10, 2010. The contract required repayment of capital in the amount of \$1,478,085.

To finance the payment and conversion of the contract, on December 9, 2010, the Board entered into an agreement with Saucelito Irrigation District, to permanently assign a portion of its water supply contract (300 acre-feet) to Saucelito ID in exchange for Saucelito ID's payment of Tea Pot Dome's repayment obligation to the US Bureau of Reclamation. Tea Pot Dome's water supply contract with the USBR was for 7,500 acre-feet. The permanent assignment of 300 acre-feet, resulted in the 7,200-acre-foot 9d repayment contract the District entered into with USBR in December 2010.

See Note 6 of the Financial Statements for details of the agreement with Saucelito Irrigation District.

Lower Tule River Irrigation District Management Contract

On September 20, 2016, the District entered into a ten-year agreement with Lower Tule River Irrigation District to provide management, administration, operations and maintenance services to Tea Pot Dome, beginning on January 1, 2017.

See Note 6 of the Financial Statements for details of the agreement.

**TEA POT DOME WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2021**

Contacting the District's Financial Management

This financial report is designed to provide our landowners, water users, local residents, cooperating governmental agencies and creditors with a general overview of the District's finances and to demonstrate the District's accountability for and proper stewardship and use of the monies it receives. If you have any questions about this report or need additional financial information, contact the District's administrative office at (559) 686-4716 357 E Olive Avenue, Tipton, California 93272.

TEA POT DOME WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 1,228,428	\$ 1,038,807
Water sales and other receivables	22,408	12,197
Standby charges receivable	468,470	434,485
Other receivable	-	728
Accrued interest	563	1,225
Prepaid expenses	<u>55,377</u>	<u>-</u>
Total Current Assets	1,775,246	1,487,442
Non-Current Receivables:		
Standby charges receivable	-	719
Sales certificate receivable	<u>22,443</u>	<u>28,539</u>
Total Non-Current Receivables	22,443	29,258
Capital Assets, net of accumulated depreciation	1,907,835	1,937,059
Investment in Joint Power Authority	<u>23,537</u>	<u>23,697</u>
Total Assets	\$ <u>3,729,061</u>	\$ <u>3,477,456</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 14,744	\$ 32,639
Current portion long-term debt	<u>16,243</u>	<u>-</u>
Total Current Liabilities	30,987	32,639
Long-Term Liabilities:		
Long-term debt, net of current portion	<u>342,778</u>	<u>-</u>
Total Liabilities	<u>373,765</u>	<u>32,639</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Customer prepayments	9,093	14,011
Deferred standby charges	<u>516,497</u>	<u>494,781</u>
Total Deferred Inflow of Resources	<u>525,590</u>	<u>508,792</u>
Total Liabilities and Deferred Inflow of Resources	<u>899,355</u>	<u>541,431</u>
<u>NET POSITION</u>		
Net investment in capital assets	1,907,835	1,937,059
Unrestricted	<u>921,871</u>	<u>998,966</u>
Total Net Position	<u>2,829,706</u>	<u>2,936,025</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>3,729,061</u>	\$ <u>3,477,456</u>

See Accompanying Notes to Financial Statements

TEA POT DOME WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Water sales – district members	\$ 582,077	\$ 771,421
Water sales – other districts	-	38,390
Standby charges	<u>494,781</u>	<u>473,966</u>
Total Operating Revenue	<u>1,076,858</u>	<u>1,283,777</u>
OPERATING EXPENSES		
Source of supply	770,762	915,213
Transmission and distribution	103,426	135,113
Administrative and general	286,457	297,053
Depreciation	<u>43,124</u>	<u>32,047</u>
Total Operating Expenses	<u>1,203,769</u>	<u>1,379,426</u>
Operating Loss	<u>(126,911)</u>	<u>(95,649)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,605	10,444
Rent income	7,200	7,200
Other income	3,519	-
Orchard income, net	487	657
Standby charge penalties and interest	6,941	3,115
Gain (Loss) on investment in Joint Power Authority	<u>(160)</u>	<u>(255)</u>
Total Non-Operating Revenue, net	<u>20,592</u>	<u>21,161</u>
CHANGE IN NET POSITION	(106,319)	(74,488)
NET POSITION, BEGINNING OF YEAR AS RESTATED	<u>2,936,025</u>	<u>3,010,513</u>
NET POSITION, END OF YEAR	<u>\$ 2,829,706</u>	<u>\$ 2,936,025</u>

See Accompanying Notes to Financial Statements

TEA POT DOME WATER DISTRICT
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2021 and 2020

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Cash received from customers	\$ 1,056,275	\$ 1,194,482
Cash paid to suppliers and vendors	(1,233,917)	(1,326,616)
Cash received for other non-operating revenue	<u>18,875</u>	<u>10,244</u>
Net cash (used) by operating activities	<u>(158,767)</u>	<u>(121,890)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Issuance of Loan	375,000	-
Long-term debt payments	(15,979)	-
Purchase of capital assets	<u>(13,900)</u>	<u>(51,477)</u>
Net cash provided (used) by capital and related financing activities	<u>345,121</u>	<u>(51,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>3,267</u>	<u>13,479</u>
Net cash provided by investing activities	<u>3,267</u>	<u>13,479</u>
Net increase (decrease) in cash and cash equivalents	189,621	(159,888)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,038,807</u>	<u>1,198,695</u>
CASH AND CASH EQUIVALENTS, ENDING OF YEAR	\$ <u>1,228,428</u>	\$ <u>1,038,807</u>
Reconciliation of Operating Income to Net Cash (Used) by Operating Activities:		
Operating loss	\$ (126,911)	\$ (95,649)
Adjustments to reconcile operating income to cash provided (used) by operating activities:		
Depreciation	43,124	32,047
Non-operating revenue	18,147	10,972
(Increase) Decrease in:		
Receivables	(36,653)	(97,297)
Prepays	(55,377)	-
Increase (Decrease) in:		
Accounts payable	(17,895)	20,763
Customer prepayments	(4,918)	(13,541)
Deferred standby charges	<u>21,716</u>	<u>20,815</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(158,767)</u>	\$ <u>(121,890)</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES:

Recognition of the change in the District's proportionate share of Deer Creek & Tule River Authority's equity for the years ending December 31, 2021 and 2020 was recorded as a (loss) of \$160 and \$255, respectively.

See Accompanying Notes to Financial Statements

TEA POT DOME WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations - Tea Pot Dome Water District (the District) is a California Special District formed under the California Water District Law, as amended (Statutes 1931, page 815, Water Code Division 13, Sections 34000 et seq.). At an election held on September 21, 1954, the majority of the landowners within the proposed boundaries approved the formation of the Tea Pot Dome Water District. Acreage within the District now consists of 3,453.83 acres of farmland that is located in Porterville, California and predominately planted with citrus.

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Government Accounting Standards Board (GASB)*, there are no potential component units that should be included with the accompanying financial statements of the District.

Basis of Presentation and Accounting - Basis of measurement focus, accounting, and financial statement presentation - The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 net of total liabilities and deferred inflows of resources) are segregated into "invested in capital assets, net of related debt," "restricted," and "unrestricted" components.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents, for the purposes of the statement of cash flows, includes cash on hand or deposit, and short-term investments with an original maturity of less than three (3) months.

Accounts receivable - The District utilizes the allowance method of accounting for uncollectible or doubtful accounts. Accounts receivable are valued at outstanding principal balance, reduced for any allowance. There was no allowance recorded by management at December 31, 2021 and 2020. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. Water accounts receivable are non-interest bearing. Delinquent standby charges over 30 days past due are assessed a one-time penalty of 10% as well as an interest charge of 1.5% per month.

TEA POT DOME WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Capital assets - The District recognizes depreciation using the straight-line method over the estimated useful lives as follows:

Transmission and distribution system	50 years
Structures	20 -50 years
Domestic water system	14 years
Equipment	10 - 20 years

Capital assets are carried at cost, which includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The District did not capitalize interest during the year ended December 31, 2021 and 2020. Gains or losses resulting from the sale or disposition of property and equipment are recognized in the period of disposition. Repairs and maintenance, which are not considered betterments and do not extend the useful life of capital assets, are charged to expense as incurred.

Customer prepayments - Customer prepayments represent amounts received from customers during the current calendar year for water deliveries to be received in the subsequent calendar year.

Prepaid water - Prepaid water represents costs paid for water, which the District expects to receive in future years. The cost is expensed in the year of delivery or when no future benefit can be derived.

Income Tax -The District qualifies for tax-exempt status as an integral part of the State of California or a political subdivision in accordance with Internal Revenue Code (IRC) Section 115. As a result, no tax provisions apply to the District's income.

Net position - Net position represents the difference between the District's assets and liabilities and deferred inflow of resources. Net position is classified in the following three components:

Invested in capital assets, net of related debt - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition of those assets.

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 - This component of net position consists of net assets that do not meet the restriction of "restricted" or "investment in capital assets, net of related debt."

Operating revenues and expenses - Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services in the form of assessments, or water sales. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Deferred standby charges - In accordance with provisions of Division II of the Water Code of the State of California, annual standby charges are levied upon the land within the District to provide the funds necessary for the District to meet its financial obligations. To properly match revenues with expenses, the revenue from the standby charges levied in the current year has been deferred to the subsequent year.

TEA POT DOME WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Investments in Power Authorities - For investments in power authorities classified as joint ventures, where the District participates in the profit and losses of the joint venture, the initial investment is recorded at cost and adjusted to reflect the District's share of the joint venture's profit or losses. If the District is involved in joint control of the power authority but there is no ongoing financial interest or ongoing financial responsibility, the entity is a jointly governed organization and not a joint venture.

Jointly Governed Organizations

The District participates and associates in joint power authorities (JPAs) and other organizations for the purpose of coalition building and sharing of costs with similar agencies to help achieve overall reduced costs. The District has ongoing financial interests and/or financial responsibility (but no equity interests) with the following JPAs:

Friant Water Authority - Formed in 2004, for the purpose to, among other things, acquire, protect, preserve and enhance water supplies and water rights, related to our contracts with the USBR. The Friant Water Authority also operates and maintains the Friant-Kern Canal.

Eastern Tule Groundwater Sustainability Agency - The Agency (GSA) is comprised of eight special districts for the purpose of managing groundwater in a sustainable fashion. GSA is governed by a board of directors consisting of representatives from each member district.

2. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Bank of the Sierra	\$ 250,196	\$ 263,843
Local Agency Investment Fund	<u>978,232</u>	<u>774,964</u>
Total cash and cash equivalents	\$ <u>1,228,428</u>	\$ <u>1,038,807</u>

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires California banks and savings and loan associations to collateralize a district's deposits by pledging government securities. The market value of the pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to collateralize a district's deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation, which it elected to do at December 31, 2021 and 2020.

At December 31, 2021 and 2020, the bank balance with Bank of Sierra was \$235,870 and \$264,352, respectively. At December 31, 2021 the full balance was insured by the federal depository insurance and as of December 31, 2020, \$14,352 was uninsured but collateralized (i.e., collateralized with securities held by the pledging financial institution at 110% of deposits, in accordance with the State of California Government Code, deemed to be held in the District's name).

Concentration of Credit Risk - The District has no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

TEA POT DOME WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

2. CASH AND CASH EQUIVALENTS (Continued):

Investments Authorized by the California Government Code - The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

The District has adapted an Investment Policy for its cash and cash equivalents. The District's cash and cash equivalents are invested mainly with the Local Agency Investment Fund (LAIF) and general checking account.

Investment in State Investment Pool - The Local Agency Investment Fund is a government investment pool managed and directed by the California State Treasurer. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District may withdraw monies upon one-day-notice. The average monthly effective yield for December 31, 2021 and 2020 was .212% and .540% respectively. The District's investment in the Local Agency Investment Fund was not subject to credit risk categorization and is carried at amortized cost which approximates fair value. All pooled funds are regulated by the California Government Code.

TEA POT DOME WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

3. CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year.

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/21</u>
Capital Assets Not Being Depreciated:				
Land	\$ 140,687	\$ -	\$ -	\$ 140,687
Perpetual water supply contract	<u>1,404,181</u>	<u>-</u>	<u>-</u>	<u>1,404,181</u>
Total	<u>1,544,868</u>	<u>-</u>	<u>-</u>	<u>1,544,868</u>
Capital Assets Being Depreciated:				
Transmission and Distribution	2,623,561	13,900	-	2,637,461
Meters	111,994	-	-	111,994
Structures	38,244	-	-	38,244
Domestic Water System	11,923	-	-	11,923
Office Equipment	7,558	-	-	7,558
Equipment	<u>48,635</u>	<u>-</u>	<u>-</u>	<u>48,635</u>
Total	2,841,915	\$ -	\$ -	2,855,815
Less Accumulated depreciation	<u>(2,449,724)</u>	<u>(43,124)</u>	<u>-</u>	<u>(2,492,848)</u>
Net Capital Assets Being Depreciated	<u>392,191</u>			<u>362,967</u>
Net Book Value	<u>\$ 1,937,059</u>			<u>\$ 1,907,835</u>

In December 2010, the District executed a perpetual water supply contract with the U.S. Bureau of Reclamation (USBR) for the right to purchase 7,500 acre-feet of Class 1 irrigation water annually. Pursuant to the terms of the contract, the District was required to pay, in a lump sum, its allocated share of USBR construction costs that otherwise would have been paid through annual water charges through 2030. In accordance with U.S. generally accepted accounting principles, these costs have been capitalized.

The District leases a house located on its property in Porterville, California, to a third party under a month-to-month lease that requires monthly rental payments of \$600. At December 31, 2021 and 2020, the cost of this house was \$18,118, accumulated depreciation was \$15,191 and \$14,678, respectively.

4. INVESTMENT IN POWER AUTHORITY

The District participates in Deer Creek & Tule River Authority a joint power authority (DCTRA), organized to address water supply related issues and other functions related to the purpose of the District. The DCTRA is not a component unit of the District however, is considered a joint venture as defined by GASB No. 14.

DCTRA was formed in 1994 by its members, for the purpose of affecting more efficient operation and management of their activities including, but not limited to, conservation, distribution and utilization of the member's water supply for their mutual benefit. The DCTRA is comprised of 8 members with the District responsible for providing 3.86% of the operating funds for the DCTRA. The District share of the loss from DCTRA for the years ended December 31, 2021 and 2020 were \$160 and \$255, respectively.

TEA POT DOME WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

4. INVESTMENT IN POWER AUTHORITY, continued

Separate financial statements are available, and condensed financial information available are shown below:

	Unaudited December 31, 2021	Unaudited December 31, 2020
Total Assets	\$ 821,634	\$ 2,644,907
Total Liabilities	<u>211,866</u>	<u>2,026,442</u>
Total Net Position	\$ <u>609,768</u>	\$ <u>618,465</u>
 Total Revenue	 \$ 20,642	 \$ 26,548
Total Expense	<u>24,793</u>	<u>33,132</u>
Change in Net Position	\$ <u>(4,151)</u>	\$ <u>(6,584)</u>

5. LONG-TERM DEBT

2021 Installment Purchase Agreement

On July 7, 2021 the District entered into an installment purchase agreement in the amount of 375,000. The debt issued is to be used for the payments on various projects referenced in commitments and contingencies. Per the purchase agreement all revenues are pledged to the payment of the installment payments. The interest rate is 3.3% per annum on this issue.

Debt service requirements on the Installment Purchase Agreement are as follows:

Year Ending December 31	Principal	Interest	Total
2022	\$ 16,243	\$ 5,924	\$ 22,167
2023	33,294	11,039	44,333
2024	34,401	9,932	44,333
2025	35,546	8,787	44,333
2026	36,729	7,604	44,333
2027 - 2031	<u>202,808</u>	<u>18,856</u>	<u>221,664</u>
Total	\$ <u>359,021</u>	\$ <u>62,142</u>	\$ <u>421,163</u>

A summary of the District's long-term liabilities is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Installment Purchase Agreement	\$ -	\$ 375,000	\$ 15,979	\$ 359,021	\$ 16,243

TEA POT DOME WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

6. COMMITMENTS AND CONTINGENCIES

Water delivery contract - The District has a water contract with the USBR that gives the District a perpetual water contract for 7,200 acre-feet of Class 1 water, without certain reclamation law limitations. The price of water is established annually by the USBR to pay the cost of operations, maintenance, restoration, and surcharge fees of the Central Valley Project for the term of the contract. A factor in determining the cost of water is the operating and maintenance deficit or surplus the District has with the USBR. The District had neither an operating and maintenance surplus or deficit, as of September 30, 2020. Operating and maintenance surplus or deficits are used in determining the water rates. In addition, as of September 30, 2020, the District had a capital and construction cost deficit of \$54,681. The construction costs will continue to accumulate annually and be due by 2030. As of the issuance of the Districts audited financial statements, the Districts operating and maintenance deficit or surplus and capital and construction cost have not been determined by the USBR for the year ended September 30, 2021.

Lower Tule Irrigation District management contract - On September 20, 2016, the District entered into a ten year management contract with Lower Tule Irrigation District whereas the District, starting January 1, 2017, would begin transitioning administrative, operation and maintenance, and water delivery over to Lower Tule Irrigation District and by January 1, 2018, Lower Tule Irrigation District would assume full responsibility. The amount of the contract to be paid in 2018 was \$125,000 with each subsequent year thereafter adjusting the previous year's rate by a percentage equal to the change over the prior year in the Consumer Price Index all U.S. cities average, as determined by the Department of Labor. The charge for 2021 was \$132,508.

Water transfer agreement with Saucelito Irrigation District - On December 10, 2010, the District entered into an agreement with Saucelito Irrigation District (Saucelito) wherein the District would permanently transfer 300 acre-feet (a.f.) of water to Saucelito in exchange for Saucelito's payment of funds to the US Bureau of Reclamation that would be applied towards the District's Friant repayment contract. In addition, the District is also obligated to transfer a total of 40,000 a.f. of water to Saucelito, upon request. For the years ending December 31, 2021 and 2020, the District transferred 0 and 500 a.f. of water, respectively. The remaining balance of water transfers for the years ending December 31, 2021 and 2020 are 33,302 and 33,302 a.f. of water, respectively.

Friant-Kern Canal Middle Reach Capacity Correction - In addition, as a Friant contractor, the District has an estimated future obligation to the Authority for its proportion of project cost for the Friant-Kern Canal Middle Reach Capacity Correction Project. This project is to repair a 35-mile stretch of the canal that has subsided due to groundwater pumping during the last drought. The Project is to be constructed in phases, with Phase 1 expected to begin in the 4th quarter of 2021. The estimated cost of Phase 1 is \$263 million with funding coming from both Federal and non-Federal sources.

For funding from non-Federal sources, the FWA has established a project cost-sharing amount of \$50 million to be covered by all of the Friant-Kern Canal Contractors. The District's share is based on its current operations, maintenance and repair (OM&R) allocation under the existing OM&R allocation policy. The canal repairs should not have an effect on the District's water deliveries. The current estimated share of the District's obligation is \$279,068 and the estimated funding request schedule from the FWA is as follows:

TEA POT DOME WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

6. COMMITMENTS AND CONTINGENCIES (continued)

Friant-Kern Canal Middle Reach Capacity Correction, continued

<u>Invoice</u>	<u>Payment Due Date</u>	<u>Amount</u>
August 13, 2021	October 1, 2021	\$ 41,246
November 19, 2021	January 3, 2022	44,476
February 11, 2022	April 1, 2022	42,439
May 13, 2022	July 1, 2022	43,186
August 19, 2022	October 3, 2022	69,767
November 18, 2022	January 3, 2023	<u>37,954</u>
		\$ 279,068

The District's allocated amounts for the first and second payments were \$42,781 and \$46,132, respectively, both which were paid by the District in 2021. The difference between the amounts paid and the allocation amounts above will be adjusted in the future payment.

SLDMWA JPP Rewind Project – On November 6, 2020 the Friant Water Authority (FWA) entered into a Funding Agreement with the San Luis Delta Mendota Water Authority (SLDMWA). The Agreement calls for FWA to make 5 scheduled payments between November 2020 and August 1, 2022 as reported below. In addition, the Agreement calls for FWA to make a "Public Debt; Offset Payment" under which FWA paid what would have been its share of the actual cost of the bond issuance of \$104,537 on February 1, 2021. FWA made the first Funding Agreement payment of \$1,755,108 on November 19, 2020. On February 25, 2021 the FWA acted to invoice the Friant Division Contractors for the payments made utilizing the SLDMWA allocation percentages in effect for the water year (WY) the payments are made. The District's allocated amount for the first payment made by the FWA in November 2020 is \$13,066. The amounts paid by the District in 2021 were \$6,904 and \$4,919 in June and November, respectively.

FWA's estimated payment schedule is as follows:

<u>Payment</u>	<u>Date</u>	<u>Friant Share at 40% of Total</u>	<u>District's Allocated Share based on:</u>
Unit 1 NTP	November 2020	\$ 1,755,108	WY 2020 Percentage
Unit 1 Mid	June 1, 2021	N/A	
Unit 4 NTP	July 1, 2021	995,154	WY 2021 Percentage
Unit 1 Test	November 1, 2021	701,919	WY 2021 Percentage
Unit 4 Mid	April 1, 2022	778,678	WY 2022 Percentage
Unit 4 Test	August 1, 2022	<u>709,007</u>	WY 2022 Percentage
		\$ <u>4,939,866</u>	

7. SUBSEQUENT EVENTS

In January 2021 the District sold property which included a recharge basin and well in the amount of \$1,483,500. In February of 2021 purchased a parcel of land from the City of Porterville to relocate the recharge basin in the amount of \$65,780.

SUPPLEMENTARY INFORMATION

TEA POT DOME WATER DISTRICT
SUPPLEMENTARY INFORMATION
December 31, 2021 and 2020

Schedule of Transmission and Distribution Expense

<u>2021</u>	<u>2020</u>
\$ 60,046	\$ 61,275
9,547	37,308
12,230	12,558
4,556	1,413
12,812	16,463
-	-
-	-
3,197	2,364
804	3,622
234	110
<u>\$ 103,426</u>	<u>\$ 135,113</u>

Schedule of Administrative and General Expense

\$ 66,796	\$ 102,739
132,508	130,936
51,259	34,161
7,400	7,900
7,900	7,300
1,351	1,371
3,595	2,946
2,835	2,951
5,515	-
7,298	6,749
<u>\$ 286,457</u>	<u>\$ 297,053</u>