

TULARE IRRIGATION DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

for the year ended December 31, 2020

**CUTTONE & MASTRO
Certified Public Accountants
7543 North Ingram, Suite 102
Fresno, California 93711**

TULARE IRRIGATION DISTRICT

DECEMBER 31, 2020

BOARD OF DIRECTORS / ADMINISTRATION

David G. Bixler	President
Richard Borges, Jr.	Vice President
Dave Martin	Director
Scott Rogers	Director
Michael J. Thomas	Director
Aaron Fukuda	General Manager, Secretary
Kathi Artis	Controller

TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis	1-7
Independent Auditor's Report	8-9
Basic Financial Statements:	
Statement of Net Position	10-11
Statement of Revenues, Expenses, and Changes in Net Position	12-14
Statement of Cash Flows	15-16
Notes to the Basic Financial Statements	17-40
Required Supplementary Information - (other than MD&A)	
Schedule of Changes in Total OPEB Liability and Related Ratios	41
Schedule of Other Postemployment Benefits Liability Contributions	42
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44

**TULARE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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

FINANCIAL HIGHLIGHTS

◆ Net position is the difference between the assets and liabilities of the District. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating. As of December 31, 2020, the District's assets exceed liabilities by \$36,158,677. Of this amount, \$10,393,064 (unrestricted net position) may be used to meet the District's ongoing obligations.

◆ During the year, the District's revenues were \$3,078,496 less than the expenses generated by the District. Particular water-related income sources accruing to the District in 2020 consisted of:

- Coming out of a wet year in 2019, the District experienced a below average water year in 2020. Deliveries to the District consisted of Kaweah River supplies totaling 27,359 acre-feet, allocations from the CVP Friant Unit (Class 1, Class 2, and other surplus supplies) of 11,565 acre-feet and tertiary treated wastewater from the City of Visalia of 9,111 acre-feet. Water sale revenues totaled \$1,207,027. The Kaweah River Power Authority sold the Terminus Hydropower plant in October 2020 and the District received a distribution of funds in the amount of \$2,875,000 in 2021.
- For 2020, the Sun World program yielded 638 acre-feet of additional water with exchange revenue totaling \$179,207. This program will continue to provide additional water and income for the next 22 years.
- Water transferred to Kern-Tulare Water District in 2020 per exchange agreements therewith also provided additional revenues to the District which amounted to \$404,380 for 2020.
- The District participated in a transfer of recaptured and recirculated water from the San Joaquin River Restoration Program with Westside Mutual Water Company which provided revenue of \$173,778 in 2020.
- The District participated in an exchange agreement with Westside Mutual Water Company and the District received additional revenue of \$1,035,344 for 2020.
- The District participated in an agreement with Wonderful Citrus to purchase Unreleased Restoration Flows from the District, which provided revenue of \$93,509.

**TULARE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

FINANCIAL HIGHLIGHTS (continued)

◆The District's share of Tulare County property taxes amounted to \$315,147, an increase of \$72,225 from 2019. Interest income totaled \$215,183, which was \$22,421 more than for 2019 due to higher interest rates.

◆The District also has exchange programs with Persian-Watson Ditch Company, Lindsay-Strathmore Irrigation District, Westlands Water District, Kern-Tulare Water District, Delano Earlimart Irrigation District, Lindmore Irrigation District, Belridge Water Storage District and Orange Cove Irrigation District.

◆The District received \$148,051 in contributed capital in 2020 for several water management facility construction projects and studies. One such project, the McKay Point Reservoir project is being jointly pursued under agreement with Consolidated Peoples Ditch Company and Visalia & Kaweah Water Company. Reimbursements from the ditch and water companies for this project's labor, equipment and materials expense totaled \$148,051 in 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented in this annual report include the activities of Tulare Irrigation 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, 2020. The Statement of Revenues, Expenses and Changes in Net Position provides information regarding the District's operations for the year ended December 31, 2020. 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.

**TULARE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

CONDENSED COMPARATIVE FINANCIAL STATEMENT INFORMATION

Condensed financial information as compared to the previous year is as follows:

STATEMENTS OF NET POSITION

	2020	2019	Increase (Decrease)	Percentage of Change
<u>ASSETS:</u>				
Current and other assets	\$ 18,020,739	\$ 22,720,221	\$ (4,699,482)	-21%
Restricted assets	-	712,156	(712,156)	-100%
Capital assets	31,132,876	29,832,822	1,300,054	4%
Total Assets	49,153,615	53,265,199	(4,111,584)	-8%
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows related to OPEB	1,157,458	688,007	469,451	68%
Total assets and deferred outflows of resources	\$ 50,311,073	\$ 53,953,206	\$ (3,642,133)	-7%
<u>LIABILITIES:</u>				
Current Liabilities	\$ 1,271,527	\$ 1,333,341	\$ (61,814)	-5%
Long term liabilities	12,413,093	12,990,068	(576,975)	-4%
Total liabilities	13,684,620	14,323,409	(638,789)	-4%
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred assessments	467,776	392,624	75,152	19%
<u>NET POSITION:</u>				
Invested in capital assets, net of related debt	25,765,613	23,222,591	2,543,022	11%
Restricted for debt service	-	712,156	(712,156)	-100%
Unrestricted	10,393,064	15,302,426	(4,909,362)	-32%
Total net position	36,158,677	39,237,173	(3,078,496)	-8%
Total liabilities, deferred inflows of resources and net position	\$ 50,311,073	\$ 53,953,206	\$ (3,642,133)	-7%

Explanation of changes in selected line item:

1. The net decrease in current and other assets includes a decrease in cash of \$2,206,729, a decrease in net accounts and assessments receivables of \$318,275, a decrease in grants receivable of \$49,681, an increase in net prepaid expenses and Quest for Water book inventory of \$15,451, a decrease in investments and joint venture investment of \$2,265,848 and an increase in water exchange accounts of \$125,600.

2. The net increase in capital assets of \$1,300,054 included \$477,906 of current year depreciation expense netted against \$1,796,552 of capital asset additions and \$18,592 in net asset dispositions.

3. The net decrease in liabilities of \$638,789 included a decrease in accounts payable and accrued liabilities of \$107,082 a decrease in long term debt of \$1,242,966, a decrease in water exchange accounts of \$169,000, and an increase in total OPEB retired medical benefit accrual obligation of \$880,259.

**TULARE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

			Increase (Decrease)	Percentage of Change
<u>OPERATING REVENUES:</u>	<u>2020</u>	<u>2019</u>		
Irrigation water sales	\$ 1,207,027	\$ 6,296,149	\$ (5,089,122)	-81%
Water transfers/exchanges to others	2,176,744	3,623,832	(1,447,088)	-40%
Current assessment	986,086	986,413	(327)	0%
U.S. environmental surcharge	1,053,601	1,053,956	(355)	0%
Nonwater sales and services	1,143,619	881,446	262,173	30%
Total operating revenues	<u>6,567,077</u>	<u>12,841,796</u>	<u>(6,274,719)</u>	-49%
<u>NONOPERATING REVENUES (EXPENSES):</u>				
Assessment penalties and fees	19,057	24,186	(5,129)	-21%
Property taxes	315,147	242,922	72,225	30%
Interest and investment income	215,183	192,762	22,421	12%
Joint venture income (loss)	(2,265,849)	944,482	(3,210,331)	-340%
Interest on long term debt	(230,825)	(266,235)	35,410	-13%
Capitalized equipment charges	104,743	318,341	(213,598)	-67%
Gain/(Loss) on sale of capital assets	(173)	423	(596)	-141%
Grant income	-	27,674	(27,674)	-100%
Other income	231,510	107,003	124,507	116%
Total nonoperating revenues(expenses)	<u>(1,611,207)</u>	<u>1,591,558</u>	<u>(3,202,765)</u>	-201%
Total revenue	<u>4,955,870</u>	<u>14,433,354</u>	<u>(9,477,484)</u>	-66%
<u>OPERATING EXPENSES:</u>				
Source of supply	3,671,753	6,421,375	(2,749,622)	-43%
Transmission and distributions	1,063,773	1,211,043	(147,270)	-12%
Depreciation	477,906	444,914	32,992	7%
Administrative and general	2,968,985	2,968,756	229	0%
Total operating expenses	<u>8,182,417</u>	<u>11,046,088</u>	<u>(2,863,671)</u>	-26%
CONTRIBUTED CAPITAL	<u>148,051</u>	<u>462,994</u>	<u>(314,943)</u>	-68%
Change in net position	<u>\$ (3,078,496)</u>	<u>\$ 3,850,260</u>	<u>\$ (6,928,756)</u>	-180%

**TULARE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

At December 31, 2020, the District had invested \$31,132,876 in a broad range of capital assets, including land, buildings, canals and ditches, water structures and equipment. This amount represents a net increase of \$1,300,054 over last year.

Details to capital assets are as follows:

<u>Capital Assets</u>	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Land	\$ 4,177,330	\$ 4,177,330	\$ -
Construction in progress	2,553,414	4,775,044	(2,221,630)
Water rights	320,400	320,400	-
Kaweah Lake Project	448,121	448,121	-
Rights of way	54,616	54,616	-
Bureau of Reclamation contract	10,371,321	10,371,321	-
Transmission system	13,907,110	10,017,953	3,889,157
Building and improvements	3,924,472	3,924,472	-
Machinery and equipment	3,819,627	3,721,458	98,169
Total capital asset	39,576,411	37,810,715	1,765,696
Accumulated depreciation	(8,443,535)	(7,977,893)	(465,642)
Net capital asset	<u>\$ 31,132,876</u>	<u>\$ 29,832,822</u>	<u>\$ 1,300,054</u>

This year's capital asset additions included:

Additions to dump truck	\$ 9,150
Additions to spray truck	7,793
Tilt trailer	33,353
Water system	61,500
Construction in progress	1,684,756
	<u>\$ 1,796,552</u>

This year's capital disposition was sale of a 2003 Ford Ranger with an original cost of \$13,627 and \$17,229 of construction in progress expensed.

**TULARE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long Term Debt

	Balance 1/1/2020	Additions	Principal Payments	Balance 12/31/2020	Percentage Change
Total other postemployment benefits	\$ 5,177,406	\$ 1,004,002	\$ 123,743	\$ 6,057,665	17.00%
2010 Installment Purchase Contract	6,337,421	-	6,337,421	-	-100.00%
2020 Refinance Installment Purchase Contract	-	5,150,600	-	5,150,600	100.00%
Caterpillar Finance	272,809	-	56,145	216,664	-20.58%
Totals	<u>\$ 11,787,636</u>	<u>\$ 6,154,602</u>	<u>\$ 6,517,309</u>	<u>\$ 11,424,929</u>	

ECONOMIC FACTORS RELATIVE TO FUTURE PERIODS

◆ A revised budget for 2021 indicating revenue sources (including grant income) totaling about \$5 million and expenses (including capital) totaling about \$10.5 million was approved by the Board of Directors in June 2021. The budget was based on water supply conditions known at that time, which are proving to be well below average and will likely be one of the driest years on record. This situation, as well as other factors taking shape in the near future, result in the following outlook for future periods:

- ◆ Irrigation water sales revenue is projected to be about \$177,000, and only irrigation water sales for the year will consist of tertiary treated wastewater from the City of Visalia. Sales revenue is anticipated to decrease due to the dry year and lack of surface water to sell to growers. Following the Prop 218 implementation protocol, the Board instituted a cap on the water sales rate of \$55/AF and, for 2021, the summer rate was set at \$52/AF.
- ◆ A distribution to the District, from the income generated from the sale of Kaweah River Power Authority was received in 2021. The distribution was \$2,875,000.
- ◆ Capital outlay for 2021 is assumed to be \$2.1 million, with about 87% devoted to five major projects - the McKay Point Reservoir Project, the Okieville Basin Project, the Seaborn Project, Area 18 Pipeline Project and the USBR Water Marketing Grant. Outside funding, the majority being federal and state grants, should contribute \$743,000 in 2021 to these and prior years' capital projects.

**TULARE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

ECONOMIC FACTORS RELATIVE TO FUTURE PERIODS (continued)

◆The McKay Point Reservoir project is a joint venture project with the Consolidated Peoples Ditch Company and the Visalia and Kaweah Water Company, who are collectively, along with the District, the owners of the McKay Point property. The owners are proposing to develop a 4,000 acre-foot water storage reservoir to manage surface water supplies on the Kaweah River. In order to construct the reservoir the owners will utilize the services of an aggregate mining company to excavate the reservoir and market the removed materials. The owners will receive a royalty for the material that is sold and the revenue will be applied to the costs required to develop the reservoir. The project is currently in the planning and environmental review stages and costs associated with the project through 2020 amounted to \$1,303,403. These costs were mainly for the development of design drawings and the preparation of an administrative draft EIR. Costs associated with the design and construction of reservoir features are shared equally amongst the owners.

◆Commencing in the first quarter of 2021, the District expects to receive 10,000 to 12,000 AF annually of tertiary-treated wastewater from the City of Visalia as part of a long-term water exchange program. The receipt of this water should provide additional water sales income to the District; however, this income will be used to partially offset the costs incurred from the obligation to purchase one-half of this amount of water on average from USBR for delivery to recharge facilities in the vicinity of the City. Advance return water to the City is ongoing in 2021, with about 20,775 AF returned thus far.

◆The District has formed a Groundwater Sustainability Agency (GSA) along with the cities of Tulare and Visalia for the purpose of complying with the Sustainable Groundwater Management Act (SGMA) passed by the state legislature in the fall of 2014. In accordance with SGMA, a GSP was adopted in January 2020, and groundwater sustainability is to be achieved by 2040. The District also anticipates establishing an administration agreement with the GSA, which will require the District to provide administrative services to the GSA and receive revenue to carry out those services.

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) 686-3425, located at 6826 Avenue 240, Tulare, California 93274.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tulare Irrigation District

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulare Irrigation District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

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

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 1-7 and the schedule of changes in total other postemployment benefits liability and related ratios on page 41, and the schedule of other postemployment benefit contributions on page 42 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of the Tulare Irrigation 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 Tulare Irrigation District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, reading "Cuttone & Mastro". The signature is written in a cursive, flowing style.

Fresno, California

November 1, 2021

TULARE IRRIGATION DISTRICT

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

**TULARE IRRIGATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash and cash equivalents	\$ 8,601,297
Accounts receivable, water users and others	2,897,101
Assessments receivable	79,282
Grants receivable	55,536
Prepaid expense	<u>327,905</u>

Total current assets	<u>11,961,121</u>
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CAPITAL ASSETS:

Land and capital assets not being depreciated	17,925,202
Capital assets, net of depreciation	<u>13,207,674</u>

Total capital assets	<u>31,132,876</u>
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OTHER ASSETS:

Water exchange accounts	385,810
Quest for Water book inventory	3,440
Investments	2,795,368
Joint venture investment	<u>2,875,000</u>

Total other assets	<u>6,059,618</u>
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Total assets	49,153,615
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows related to OPEB	<u>1,157,458</u>
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Total assets and deferred outflows of resources	<u><u>\$ 50,311,073</u></u>
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The accompanying notes are an integral part of the financial statements

**TULARE IRRIGATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 310,865
Accrued salaries and wages	48,264
Accrued interest expense	25,281
Compensated absences	204,755
Other liabilities	10,276
Current portion of total other postemployment benefits obligation	125,000
Current portion of long term debt	<u>547,086</u>
 Total current liabilities	 <u>1,271,527</u>

LONG TERM LIABILITIES:

Total other postemployment benefits obligation, net of current portion	5,932,665
Long term debt, net of current portion	4,820,178
Water Exchange Accounts	<u>1,660,250</u>
 Total long term liabilities	 <u>12,413,093</u>
 Total liabilities	 13,684,620

DEFERRED INFLOWS OF RESOURCES

Deferred assessments	<u>467,776</u>
 Total liabilities and deferred inflows of resources	 <u>14,152,396</u>

NET POSITION:

Invested in capital assets, net of related debt	25,765,613
Unrestricted	<u>10,393,064</u>
 Total net position	 <u>36,158,677</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 50,311,073</u></u>

The accompanying notes are an integral part of the financial statements

TULARE IRRIGATION DISTRICT

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020**

TULARE IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

OPERATING REVENUES:

Irrigation water sales	\$ 1,207,027
Water transfers/exchange to others	2,176,744
Current assessment	986,086
U.S. environmental surcharge	1,053,601
Nonwater sales and services	1,143,619
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Total operating revenues	6,567,077
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OPERATING EXPENSES:

SOURCE OF SUPPLY:

Water purchases	1,079,837
Conveyance and O & M expenses	1,969,725
Friant general membership dues	169,461
Storage charges	41,485
Water stock assessments	225,148
Water rights fees	186,097
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Total source of supply	3,671,753
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TRANSMISSION AND DISTRIBUTION:

Water Service:

Salaries and wages	120,734
Utilities	14,893
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Total water service	135,627
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System Maintenance:

Salaries and wages	511,913
Repairs and supplies	86,104
Weed and pest control	215,146
Equipment rental	114,983
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Total system maintenance	928,146
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Total transmission and distribution	1,063,773
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The accompanying notes are an integral part of the financial statements

TULARE IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

OPERATING EXPENSES, continued:

DEPRECIATION	\$ 477,906
ADMINISTRATIVE AND GENERAL:	
Salaries and wages	818,525
Employee benefits and payroll taxes	1,289,800
Equipment maintenance	109,321
Materials and supplies	40,838
Utilities and telephone	47,308
Fuel	133,231
Insurance	157,720
Professional services	192,218
Association dues	16,732
Uncollectible Accounts	12,502
Office and general	150,790
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Total administrative and general	2,968,985
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Total operating expenses	8,182,417
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Operating loss	(1,615,340)
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NONOPERATING REVENUES (EXPENSES):

Assessment penalties and fees	19,057
Property taxes	315,147
Interest and investment income	215,183
Joint venture loss	(2,265,849)
Interest on long term debt	(230,825)
Capitalized equipment charges	104,743
Loss on sale of capital assets	(173)
Grant income	-
Other income	231,510
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Total nonoperating revenues (expenses)	(1,611,207)
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The accompanying notes are an integral part of the financial statements

TULARE IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

<u>CONTRIBUTED CAPITAL</u>	<u>\$ 148,051</u>
Change in net position	(3,078,496)
Total net position, beginning of year	<u>39,237,173</u>
Total net position, end of year	<u><u>\$ 36,158,677</u></u>

The accompanying notes are an integral part of the financial statements

TULARE IRRIGATION DISTRICT

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

**TULARE IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from irrigation water sales	\$ 1,320,383
Cash received from water transfers/exchange to others	3,276,479
Cash received from assessments and US environmental surcharge	2,475,606
Cash received from nonwater sales and services	149,051
Cash payments for water and operations	(6,152,328)
Cash payments to employees	(1,530,128)
Other nonoperating income	<u>567,128</u>

Net cash provided by operating activities	<u>106,191</u>
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from asset sales	1,190
Proceeds from new long term debt	5,150,600
Pay down of long term debt	(6,393,567)
Interest paid on long term debt	(286,874)
Cash paid for asset acquisitions	(1,796,552)
Contributed capital and grant proceeds	<u>84,944</u>

Net cash used by capital financing activities	<u>(3,240,259)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received from invested cash and cash equivalents	<u>215,183</u>
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Net cash provided by investing activities	<u>215,183</u>
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Decrease in cash and cash equivalents	(2,918,885)
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Cash and cash equivalents, beginning of year	<u>11,520,182</u>
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Cash and cash equivalents, end of year	<u><u>\$ 8,601,297</u></u>
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SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES:

Recognition of the District's proportionate share of Kaweah River Power Authority equity as of December 31, 2020 was recorded as a loss in the amount of \$2,265,849.

The accompanying notes are an integral part of the financial statements

**TULARE IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

**RECONCILIATION OF LOSS FROM OPERATIONS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating loss	\$ (1,615,340)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	477,906
Other nonoperating income	565,714
Capitalized equipment charges	104,743
Prior year construction in progress expensed in current year	17,229
(Increase) decrease in:	
Accounts receivable, water users and others	271,990
Assessments receivable	159,073
Prepaid expense	(15,600)
Water exchange accounts	(125,600)
Quest for Water books	149
Increase (decrease) in:	
Accounts payable	(78,149)
Accrued salaries and wages	10,872
Compensated absences	12,994
Other liabilities	3,250
Water exchange accounts	(169,000)
Deferred assessments	75,152
Other postemployment benefits obligation	410,808
	<hr/>
Net cash provided by operating activities	<u><u>\$ 106,191</u></u>

The accompanying notes are an integral part of the financial statements

**TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 - Summary of Significant Accounting Policies

Organization

Tulare Irrigation District (the District) is a public agency created and operated under the laws of the State of California. Its prime purpose is to manage its water supplies derived from the Kaweah and St. Johns rivers and the Friant Unit of the Central Valley Project and to distribute that water to its landowners, either directly by canal-side deliveries or indirectly by groundwater recharge.

The District includes about 70,000 acres of land, or about 110 square miles. About 65,000 acres regularly receive water supplied by the District. The District was formed in 1889 and contained only about 32,000 acres. The District constructed a canal to deliver water from the Kaweah River, a distance of about 15 miles and through the acquisition of other ditch company lands and water rights, the District grew to its present size by the late 1940's. Its facilities now include some 300 miles of canals and ditches, 30 miles of pipelines, and 535 turnouts to serve about 230 farms within the District.

The District spends money on facility maintenance, administration, personnel, equipment and supplies, water purchases, and capital construction projects. It recovers these costs by assessing properties, which benefit from the District water management activities, and by selling water to its landowners. Other revenue sources, such as that derived by energy sales from the Terminus Hydropower Plant also help cover operating costs.

The District is governed by a five-person Board of Directors that is elected by the landowners of the District for four-year terms.

Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," include whether:

- ◆ the organization is legally separate (can sue and be sued in its name)
- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization's board
- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ the fiscal dependency by the organization on the District
- ◆ exclusion of the organization would render the financial statements incomplete or misleading

**TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Reporting Entity (continued)

Based on these criteria, the District has Rayo Water Company which should be reported as a blended component unit. A blended component units' accounts are to be blended into those of the District's by appropriate activity type to compose the primary government presentation. Because the activity of Rayo Water Company is not significant to Tulare Irrigation District, the District has reported the investment in Rayo Water Company at cost. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

Fund Accounting

The operations of the District are accounted for in an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts of the District and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accrual basis of accounting is required for enterprise funds and is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

This report has been prepared in conformance with accounting principles generally accepted in the United States of America. The District applies Governmental Accounting Standards Board pronouncements.

Operating and Nonoperating Revenues

Operating revenues, such as assessments, water sales and nonwater sales and services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Budgetary Procedures

The District operates under a budget prepared and approved annually by the Board of Directors. The budget is prepared on a detailed line item basis. Revenues are budgeted by source, and expenses are budgeted by use (source of water supplies, system operating and maintenance, equipment and shop, general operating, payroll, administrative and capital outlay). Once approved, the Board of Directors

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Budgetary Procedures (continued)

may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. Typically, the budget is revised in May each year when water supplies and associated revenues and expenses are better known.

The District's annual operating budget is prepared on the cash basis. Consequently, certain revenue is budgeted when receipt is expected rather than when earned and certain expenses and purchases of assets are budgeted when cash is expected to be disbursed rather than when the obligation is incurred. The accrual basis of accounting is used to account for actual results of operations.

Use of Estimates

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

Cash and Cash Equivalents

The District maintains its cash accounts as authorized by the California Government Code.

For the purposes of these financial statements, the District considers cash in checking, cash in savings, and all other highly liquid investments with original maturities of three months or less at date of purchase to be cash and cash equivalents.

Allowance for Doubtful Accounts

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

Capital Assets

Capital assets are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives:

- Buildings and improvements 5-50 years
- Office equipment and furniture 5-10 years
- Equipment and vehicles 5-20 years
- Water structures 7-39 years
- Transmission pipeline 20-30 years

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Accumulated unpaid compensated absences are recognized as a liability of the District. Unused vacation days will accrue up to but not beyond, one and one-half times the applicable annual rate of each individual employee and if unused will be paid to the employee upon termination or retirement. Unused and accumulated sick leave for the purpose of compensated absences may be accumulated up to fifty percent of the total days accumulated with a maximum of 60 days and will be paid to the employee upon termination or retirement.

Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. 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 borrowings that are attributable to the acquisition, construction or improvement of those assets.

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

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

When the District incurs an expense for which both restricted and unrestricted resources may be used, it is the policy of the District to use restricted resources first, then unrestricted resources.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. These taxes are levied from July 1 through June 30. Taxes are payable in two installments on November 1 and February 1 and are collected December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Tulare bills and collects the taxes for the District.

Income Taxes

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

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Water Exchange Accounts

The District engages in water transfers and exchanges with several entities. The amount of water exchange accounts is recorded at \$50/acre foot, which is what the District is currently paying for Friant Class 1 water.

Subsequent Events

Management has evaluated subsequent events through November 1, 2021, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

NOTE 2 - Cash and Cash Equivalents

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

Imprest cash	\$ 400
Citizen's Business Bank - noninterest bearing checking - general fund	83,656
Citizen's Business Bank - noninterest bearing checking - payroll account	3,798
Citizen's Business Bank - premium money market	1,069,691
Tulare County Investment Pool (TCIP)	7,214,276
State of California Local Agency Investment fund (LAIF)	229,476
Total cash and cash equivalents	<u>\$ 8,601,297</u>

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. All of the District's investments mature within 12 months.

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - Cash and Cash Equivalents (continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. None of the District's investments have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The District does not have an investment policy that contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires California banks and savings and loan associations to collateralize a district's deposits by pledging government securities.

The market value of the pledged securities must equal at least 110 percent of a district's deposits. California law also allows financial institutions to collateralize a district's deposits by pledging first trust deed mortgage notes having a value of 150 percent of a district's total deposits. The district may waive collateral requirements for deposits on accounts which are fully insured by Federal Deposit insurance up to \$250,000.

At December 31, 2020, the carrying amount of the District's cash deposits was \$1,157,545 and the bank balance was \$1,324,731. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balances, \$250,000 was covered by the federal depository insurance and \$1,074,731 was uninsured and collateralized (i.e., collateralized with securities held by the pledging financial institution at 110 percent of the deposits, in accordance with the State of California Government Code, deemed to be held in the District's name).

The District's investment in the LAIF and TCIP were not subject to credit risk categorization and is carried at cost which approximates fair value. All pooled funds are regulated by the California Government Code.

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - Cash and Cash Equivalents (continued)

Investment in Tulare County Investment Pool

The Tulare County Investment Pool (TCIP) is a government investment pool managed and directed by the Tulare County Treasury Oversight Committee. The balance available for withdrawal is based on the accounting records maintained by TCIP, 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, 2020 was 1.17%. The District's investment in the Tulare County Investment Pool was not subject to credit risk categorization and is carried at amortized cost which approximates fair value.

Investment in State Investment Pool

The Local Agency Investment Fund (LAIF) 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, 2020 was 0.54%. 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 *California Government Code*.

NOTE 3 - Long Term Debt

Long term debt at December 31, 2020 consisted of the following:

Citizens Business Bank, payable in semiannual installments of \$286,456, including interest accrued at 2.1375 percent per annum, beginning on March 1, 2021 with the final payment due on September 1, 2030. This note is secured by pledge of future net revenues.

\$ 5,150,600

Caterpillar Finance Leasing, payable in monthly installments of \$6,214, including interest accrued at 5.35 percent per annum, beginning on March 1, 2019 with the final payment due on February 1, 2024. This note is secured by a Caterpillar Motor Grader with Slope Board.

216,664

Total long term debt

5,367,264

Less current portion

547,086

Long term debt, net of current portion

\$ 4,820,178

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - Long Term Debt (continued)

Scheduled principal and interest repayments of long term debt are as follows:

	Citizens Business Bank		
	Principal	Interest	Total
2021	\$ 482,601	\$ 90,312	\$ 572,913
2022	475,662	97,251	572,913
2023	485,884	87,029	572,913
2024	496,326	76,587	572,913
2025	506,991	65,922	572,913
2026-2030	2,703,136	161,426	2,864,562
Totals	\$ 5,150,600	\$ 578,527	\$ 5,729,127

	Caterpillar Finance		
	Principal	Interest	Total
2021	\$ 64,485	\$ 10,082	\$ 74,567
2022	68,041	6,526	74,567
2023	71,793	2,774	74,567
2024	12,345	83	12,428
Totals	\$ 216,664	\$ 19,465	\$ 236,129

A summary of the District's long term liabilities as of December 31, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Total other postemployment benefits	\$ 5,177,406	\$ 1,004,002	\$ 123,743	\$ 6,057,665	\$ 125,000
2010 Installment Purchase Contract	6,337,421	-	6,337,421	-	-
2020 Refinance Installment Purchase Contract	-	5,150,600	-	5,150,600	482,601
Caterpillar Finance	272,809	-	56,145	216,664	64,485
	\$ 11,787,636	\$ 6,154,602	\$ 6,517,309	\$ 11,424,929	\$ 672,086

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 - Capital Assets

The following is a summary of changes in capital assets:

	<u>Balance</u> <u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>
<u>Land and capital assets</u>				
<u>not being depreciated:</u>				
Land	\$ 4,177,330	\$ -	\$ -	\$ 4,177,330
Construction in progress	4,775,044	1,684,756	3,906,386	2,553,414
Water rights	320,400	-	-	320,400
Kaweah Lake Project	448,121	-	-	448,121
Rights of way	54,616	-	-	54,616
Bureau of Reclamation contract	<u>10,371,321</u>	<u>-</u>	<u>-</u>	<u>10,371,321</u>
 Total land and capital assets not being depreciated:	 <u>20,146,832</u>	 <u>1,684,756</u>	 <u>3,906,386</u>	 <u>17,925,202</u>
 <u>Other capital assets:</u>				
Transmission system	10,017,953	3,889,157	-	13,907,110
Building and improvements	3,924,472	-	-	3,924,472
Machinery and equipment	<u>3,721,458</u>	<u>111,796</u>	<u>13,627</u>	<u>3,819,627</u>
 Total other capital assets at historical cost	 <u>17,663,883</u>	 <u>4,000,953</u>	 <u>13,627</u>	 <u>21,651,209</u>
 Accumulated depreciation	 <u>(7,977,893)</u>	 <u>(477,906)</u>	 <u>(12,264)</u>	 <u>(8,443,535)</u>
 Other capital assets, net	 <u>9,685,990</u>	 <u>3,523,047</u>	 <u>1,363</u>	 <u>13,207,674</u>
 Capital assets, net	 <u>\$ 29,832,822</u>	 <u>\$ 5,207,803</u>	 <u>\$ 3,907,749</u>	 <u>\$ 31,132,876</u>

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 - Capital Assets (continued)

Bureau of Reclamation Contract

The District entered into a contract for water service with the United States Bureau of Reclamation (USBR) in 1950 for 30,000 acre-feet of Class I water and 141,000 acre-feet of Class 2 water from the Friant Unit of the Central Valley Project. The annual water supplies made available to the District under this contract have served an important role along with the District's Kaweah River water right supplies in providing irrigation water for water users in the District and for groundwater recharge purposes. It is estimated that this contract has allowed for the importation by the District of about 4,000,000 acre-feet of water into the region since 1950 that has either offset groundwater pumping or supplemented the limited underground supply in the Kaweah groundwater basin.

The original water service contract had a term of 40 years and expired in 1991. Efforts to renew the contract were preceded by a series of interim renewal contracts until 2001, at which time another long-term contract with a term of 25 years was executed with USBR. Attempts to secure renewal contracts were coupled with litigation entitled Natural Resources Defense Council, et al v Kirk Rodgers et al, which litigation challenged USBR's authority and implementation practices for such renewals under the oversight of then-current USBR Mid-Pacific Regional Director Rodgers.

A Stipulation of Settlement of the litigation was reached in 2006 and enabling federal legislation to implement the Settlement was passed in 2009. The Settlement stipulated certain water releases from Friant Dam to the lower San Joaquin River for fishery restoration purposes, and called for plans to restore fishery habitat along portions of the San Joaquin River and to mitigate for the water loss impacts to Friant contractors stemming from the relinquishment of contract water for the river release program.

The legislation authorizes the Friant contractors, including the District, to convert their respective long-term water service contracts to water repayment contracts in accordance with a 1939 Congressional Act. Under this Act, a contractor payment of outstanding construction costs of the pertinent federal water supply project (in this case the Central Valley Project) ultimately due by said contractor allow for a conversion to a permanent contract with no term nor renewal provisions. Heretofore, Friant Unit construction costs were not to be paid off in full until 2030, at which time USBR may or may not permit any such conversion. The legislation further established an up-front discount in the construction costs to be paid off and provided for future reductions in the cost of water to partially offset the financing costs to borrow sufficient funds to make the lump-sum payments.

USBR acquiesced to such conversions now as the lump-sum payments were to be dedicated to the restoration and water make-up goals of the Settlement. The District's discounted portion of remaining construction costs was about \$10,370,000, and a 20-year loan was secured at a favorable interest rate in December 2010 to provide most of this pay-off amount. The new permanent water repayment contract was executed at that time and the District's contract water rates were reduced and commensurate with the pay-off and remaining construction costs.

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - Joint Venture Investment

The Kaweah River Power Authority (the Authority) was created in 1982 under the Joint Powers Act between Kaweah Delta Water Conservation District and Tulare Irrigation District for the study and pursuit of the construction of a hydroelectric facility at Terminus Dam. Under the agreement, the Kaweah Delta Water Conservation District holds a 75 percent interest and Tulare Irrigation District holds a 25 percent interest in the Authority. As of April 14, 1990, the Authority took possession of the hydroelectric facility at Terminus Dam, and under a power purchase contract, was selling the electricity generated to the Southern California Edison Company.

The Authority's Board of Directors was comprised of officers who govern each of the Districts. The degree of management control is 60 percent by Kaweah Delta Water Conservation District and 40 percent by Tulare Irrigation District.

In October 2020, Kaweah River Power Authority sold its hydroelectric facility at Terminus Dam. The Authority lost its power purchase contract with Southern California Edison, therefore, the value in the Authority decreased considerably. The value of the investment has been reduced to the District's share of the cash available after the sale. The decrease has been recorded in the financial statements as a joint venture loss of \$2,265,849.

NOTE 6 - Assessment Valuation, Rate and Revenue Recognition

The assessment lien date is March 1. The first and second installments are due December 20 and June 20, respectively. The District's assessment is in accordance with a schedule based on land characteristic classifications on average ranging from \$1,400 to \$2,000 per acre. Total valuation under this formula was \$123,228,049 for the year ended December 31, 2020. The assessment rate was set at \$.8 per \$100, resulting in a total assessment of \$985,824 for the year ended December 31, 2020.

One half of the annual assessment revenues are recorded as income in the District's fiscal year. Money received for the second half of the current assessment is classified as deferred assessments to be recognized in the following year.

A charge in lieu of an assessment was fixed by the Board of Directors under provisions of Section 22280 of the California State Water Code to defray current environmental charges made by the United States government in accordance with the CVP Improvement Act of 1992. The fixed charge was based on a total acreage of approximately 65,000 acres with a minimum \$16 per acre charge, resulting in a total assessment of \$1,053,173 in 2020. Money received for the second half of the current assessment is classified as deferred assessments to be recognized in the following year.

**TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 - Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by MassMutual Financial Group. All compensation deferred under the Plan and all property and rights purchased with such compensation are held in trust for the exclusive benefit of the participants and their beneficiaries, and are not subject to the rights of the District's general creditors.

NOTE 8 - Employee Retirement Plan in Effect

The District adopted a defined contribution retirement plan effective January 1, 1998, and amended October 12, 2003. The Plan is known as the Tulare Irrigation District Retirement Plan (the Plan) and is governed by 3 trustees appointed by the District. The Plan administrator is Employee Fiduciary, LLC. The District contributes 5 percent of total allowable compensation for each participating employee for each pay period. Employee contributions are not allowed to the Plan. The Plan will however match up to the first 4 percent of compensation deferred by an employee into the 457 Plan administered by the District.

The Plan is fully funded and employees become 50 percent vested in District contributions after 5 years of service and 100 percent vested after 10 years of service, when the employee reaches the Plan's early retirement age of 60 or leaves the District because of total and permanent disability or death. District contributions and matching amounts are forfeited if employment ends before 50 percent vesting. Employees over 21 years of age who attain 1,000 work hours are eligible after 12 months of service and may enter the Plan on the first day of any month.

The District had 21 participating employees during December 2020. During 2020, 18 of those participating made employee contributions eligible for the District match. The 2020 total District payroll was \$1,506,285 of which \$1,356,467 is attributed to employees eligible to participate in the Plan. District contributions and match for the year ended December 31, 2020 were \$114,145. The District has no unfunded accrued liability to the Plan at December 31, 2020.

**TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 - Postemployment Benefits Other than Pensions (OPEB)

General Information about the OPEB Plan

Plan Description

The District provides a self-funded, single employer, defined benefit plan to provide medical, vision and dental plans for all eligible active and retired District employees and their dependents (just the employee and spouse in the case of retired employees). As established by board policy, the plan covers all employees who retire from the District on a voluntary basis and who are at least 60 years of age and have worked for the District for at least 15 consecutive years or have worked for the District for at least 30 consecutive years regardless of age. For employees hired on or after December 11, 2012 the age of retirement is 65 years of age and have worked for the District for at least 20 consecutive years. This benefit is not available to employees hired on or after August 25, 2017.

Funding Policy

The District funds the benefits on a pay-as-you-go basis, where the current year premiums are paid as they are incurred. The District does not currently fund the OPEB plan. The District pays 100 percent of the medical premium of the retired employee and pays 85 percent of the medical premium of the retired employee's spouse until the death of the retiree. The retired employee pays the other 15 percent of the medical premium. The District pays 100 percent of the vision and dental premiums for both the retired employee and the retired employee's spouse until the death of the retiree. Coverage and premium payments for a surviving spouse will extend for 5 years beyond the death of the retiree or until the surviving spouse's Medicare eligibility, whichever comes first. For 2020, the District paid \$122,591 for benefits for 9 retirees, including spouses.

Benefits Provided

Integrated medical/prescription drug coverage is provided through the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA). Employees can choose from a variety of HMO and PPO options providing comprehensive medical and prescription drug coverage. Dental and vision coverage are also provided to active employees and dependents.

Employees covered by benefit terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>17</u>
	24

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 - Postemployment Benefits Other than Pensions (continued)

Total OPEB Liability

The District's Total OPEB Liability of \$6,057,665 was based on an actuarial valuation as of December 31, 2020 and a measurement date of December 31, 2020, and a discount rate of 2.00%.

Actuarial Assumptions

The Total OPEB Liability was determined using an actuarial valuation as of December 31, 2019, using the following actuarial assumptions:

Inflation	3.00%
Salary increases	3.00%, average, including inflation
Discount rate	2.00%, net of investment expense, including inflation
Healthcare cost trend rates	6.00% per year graded to 4.5% per year for 2023 and thereafter 4.00% per year for dental and vision for all future years
Retirees' share of cost	Retirees pay 15% of the premium for spousal medical coverage

The discount rate was based on the Fidelity GO AA 20-year Municipal Index.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Table for Males or Females, as appropriate, with generational projection using MP-2016.

All actuarial assumptions used in measuring the Total OPEB Liability are described in the December 31, 2020 actuarial valuation. The assumptions were based on plan experience through December 31, 2020. The actuarial cost method used for measuring the Total OPEB Liability for purposes of GASB 75 was Entry Age, Level Percent of Pay.

**TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 - Postemployment Benefits Other than Pensions (continued)

Changes in the Total OPEB Liability (TOL)

Service cost at beginning of year	\$ 187,178
Interest on TOL plus service cost, less 1/2 benefit payments	144,202
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	672,622
Benefit payments, adjusted for implicit subsidy	<u>(123,743)</u>
Net change in Total OPEB Liability	880,259
Total OPEB Liability - beginning	<u>5,177,406</u>
Total OPEB Liability - ending	<u><u>\$ 6,057,665</u></u>

Sensitivity of the Total OPEB Liability to changes in the discount rate - The following presents the District's Total OPEB Liability as of December 31, 2020 calculated using the discount rate of 2.00%, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate:

	<u>1% Decrease (1.00%)</u>	<u>Current Rate (2.00%)</u>	<u>1% Increase (3.00%)</u>
Total OPEB Liability	\$ 7,234,536	\$ 6,057,665	\$ 5,121,088

Sensitivity of the Total OPEB Liability to changes in the healthcare trend rates - The following presents the District's Total OPEB Liability as of December 31, 2020, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower (5.00% per year for 2020 graded down to 3.5% for 2023 and thereafter) or 1 percentage point higher (7.00% per year for 2020 graded down to 5.5% for 2023 and thereafter).

	<u>1% Decrease (5% grading to 3.5%)</u>	<u>Current Rate (6% grading to 4.5%)</u>	<u>1% Increase (7% grading to 5.5%)</u>
Total OPEB Liability	\$ 4,961,682	\$ 6,057,665	\$ 7,499,417

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 - Postemployment Benefits Other than Pensions (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related

The current balances of collective deferred outflows and deferred inflows of resources as of December 31, 2020 were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 90,587	\$ -
Changes in assumptions	1,066,871	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 1,157,458</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources will be recognized in OPEB expenses as follows:

Year ended December 31,	Deferred Outflows of Resources
2021	\$ 203,171
2022	203,171
2023	203,171
2024	203,171
2025	203,171
2026	88,505
2027	53,098
	<u>\$ 1,157,458</u>

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 - Postemployment Benefits Other than Pensions (continued)

These schedules are projected and are subject to revision as of December 31, 2021 for experience gains and losses between the valuation date and December 31, 2021; specifically, benefit payments greater than or less than expected, and any required changes in discount rate.

The annual OPEB Expense recognized by the District can be calculated as the changes in the amounts reported on the Statement of Net Position that are not attributable to employer contributions. It is the change in Total OPEB Liability minus the changes in deferred outflows plus the changes in deferred inflows plus employer contributions.

The components of the annual OPEB Expense for the District as of December 31, 2020 were as follows:

Total OPEB Liability as of December 31, 2019 (a)	\$ 5,177,406
Total OPEB Liability as of December 31, 2020 (b)	<u>6,057,665</u>
Change in Total OPEB Liability [(b)-(a)]	880,259
Change in Deferred Outflows	(469,451)
Change in Deferred Inflows	-
Employer Contributions *	<u>123,743</u>
OPEB Expense	<u><u>\$ 534,551</u></u>

*Actual pay-as-you-go, adjusted for implicit subsidy.

NOTE 10 - Investments

The District has acquired shares in the following water and ditch companies in order to expand the amount of water supply available to the landowners within its boundaries. The costs of the investments as of December 31, 2020 are as follows:

Consolidated People Ditch Company	\$ 155,100
Evans Ditch Company	638,907
Persian Ditch Company	900
Rayo Water Company	1,050,000
Tulare Irrigation Company	365,675
Wutchumna Water Company	<u>584,786</u>
Total	<u><u>\$ 2,795,368</u></u>

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 - Designated Unrestricted Net Position

The District has established the following designation of unrestricted net position for specific purposes:

Infrastructure rehabilitation	\$ 250,000
Water rate stabilization	477,281
General operations	1,500,000
Capital asset acquisition	100,000
Building operating and maintenance, yard improvements	100,000
Ground water replenishment	904,070
Water stock acquisition	58,000
Dry year water purchases	1,000,000
Terminus dam and power plant facilities	50,000
U.S. environmental surcharge	<u>4,161,946</u>
Totals	<u><u>\$ 8,601,297</u></u>

NOTE 12 - Related Party Transactions

The District owns stock in several water and ditch companies. The District supplies various administrative services and ditch maintenance to the following companies. During the year ended December 31, 2020 the following amounts were paid to the District from:

Tulare Irrigation Company	\$ 33,301
Evans Ditch Company	24,935
Rayo Water Company	<u>116,119</u>
	<u><u>\$ 174,355</u></u>

The District paid assessments to the following companies:

Tulare Irrigation Company	\$ 52,640
Evans Ditch Company	<u>36,860</u>
	<u><u>\$ 89,500</u></u>

The following amounts are included in accounts receivable:

Due from Tulare Irrigation Company	\$ 5,809
Due from Evans Ditch Company	<u>257</u>
	<u><u>\$ 6,066</u></u>

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 - Water Exchange Accounts

The District engages in a number of water transfers and exchanges from year to year, both with other Friant water districts and agencies/ditch companies within the Kaweah Basin. The District has a variety of exchange arrangements of varying duration, as listed below:

Westlands Water District – The District acquired additional stock in Wutchumna Water Company and sole ownership of Rayo Water Company and, in trade, committed to a water debt of 125,000 AF to be paid back over a 25-year period. The debt has been substantially paid off, now standing at about 5,385 AF. Delivery points for returned water are the Friant-Kern Canal or San Luis Reservoir.

Lindsay-Strathmore Irrigation District – LSID assigns up to 75% of its Kaweah River supplies from Wutchumna Water Company to the District in all years. The District owes back up to 30,000 AF in any year during which LSID is unable to meet its irrigation demands with remaining supplies. Exchanges are completed in each successive year, and no amounts owed to either district remain after such annual exchanges. Term of agreement – expires in 2023; subject to renewal.

Kern-Tulare Water District – KTWD acquires Friant supplies for delivery to the District, ½ of which are owed back. KTWD may also, under certain circumstances, pay for the District Friant allotments and owe back one-fourth of amounts so purchased. Annual amounts owed back to KTWD vary and are dependent on the annual Friant allocation. KTWD pays for cost of return water. Term of agreement – expires in 2029.

Sun World International – Sun World assigns its Kaweah River supply (via Wutchumna Water Company) to the District each year. The District owes back, at ratios of 1 for every 2 ½ or 3 ½ taken, its Friant Class 2 or Class 1 water in the same year as received. Amounts owed to or by Sun World may accrue over time, depending on Kaweah v. Friant supply availability from year to year. Sun World pays for cost of return water and associated exchange fees to the District, estimated at about \$200,000 annually. Term of agreement – expires in 2041; subject to renewal.

Annual Transfers/Exchanges – To avoid water losses due to reservoir spills or seasonal value differentials, the District engages from time to time in water transfers (sales or purchases) and leveraged exchanges. Exchange ratios vary. Such annual arrangements are not long-term in nature, but at any point in time water may be owed by or owed to the District stemming from such annual arrangements. Typical arrangements for such transfers and exchanges often involve a letter agreement memorializing the respective commitments of both parties.

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 - Water Exchange Accounts (continued)

Identified below are the amounts of water owed by the District and to the District by others, along with estimated monetary values for each amount. For amounts owed by the District, the monetary value would be considered a liability; for water amounts owed to the District, the associated monetary value would be considered an asset.

	<u>Acre Feet</u>	<u>Value @ \$50/AF</u>
<u>Amounts owed by the District</u>		
Westlands Water District	5,385	\$ 269,250
Kern-Tulare Water District	13,241	662,050
Orange Cove Irrigation District	1,333	66,650
Belridge Water Storage District	1,046	52,300
Delano Earlimart Irrigation District	11,500	575,000
Lindmore Irrigation District	700	35,000
	<u>33,205</u>	<u>\$ 1,660,250</u>
 <u>Amounts owed to the District</u>		
Persian-Watson Ditch Company	2,520.9	\$ 126,045
Lindsay-Strathmore Irrigation District	2,683.3	134,165
Lindmore Irrigation District	2,512.0	125,600
	<u>7,716.2</u>	<u>\$ 385,810</u>

NOTE 14 - Commitments and Contingencies

Insurance Coverage and Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is covered under commercial insurance policies for workers' compensation, automobile, general liability, and other business related coverages. Expenditures and claims in excess of the District's deductible for the related insurance coverage are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The District is unaware of any actual or potential claims that would materially affect its financial condition. Therefore, no provision has been recorded.

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 - Commitments and Contingencies (continued)

Water Delivery Contract - United States Bureau of Reclamation (USBR)

USBR Operating and Maintenance Surplus

A factor in determining the cost of water is the operating and maintenance (O&M) deficit or surplus the District has with the USBR. The deficit is interest bearing. However, as of September 30, 2020, the last reported date, the District had an O&M surplus of \$39,112. This surplus has been requested as a refund, however, it is not recorded in the accompanying financial statements as a receivable.

Water Supply Contract

The District holds a Contract with the Bureau for water service. Under this Contract the District has access to an entitlement of the total Class 1 and Class 2 water allocated by the Bureau of Reclamation in any given Contract Year. In addition to its Class 1 and Class 2 Contract other supplies are intermittently made available to the District by the Bureau of Reclamation depending on hydrology (such as Temporary Contract (215) water or Recovered Water Account (RWA) Water).

The price of Class 1 and Class 2 water is established annually to pay the costs of the USBR operations and maintenance, water marketing, and environmental restoration and Friant Surcharge fees established by the CVPIA. The price of Temporary 215 water is also established annually and does not include water marketing or CVPIA charges. The price of RWA water is a flat rate of \$10 per acre foot. 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 an operating and maintenance surplus of \$39,112, as of September 30, 2020 (See above). In addition, as of September 30, 2020, the District had a capital and construction cost deficit of \$742,303 for Class 1 water and a surplus of \$1,642,872 for Class 2 water. The construction costs will continue to accumulate annually and be due by 2030.

Joint-Powers Authority - Friant Water Authority

As a Friant contractor the District is obligated to share in the cost of operating and maintenance costs of the Friant-Kern Canal. An agreement also exists between the Friant Water Authority (the Authority) and the San Luis & Delta Mendota Water Authority (SLDMWA) that defines how the Authority is to compensate SLDMWA for the water delivered to Settlement (Exchange) Contractors from their project facilities. Settlement contractors receive their water without charge from those facilities and Friant Division Contractors are responsible for the O&M costs incurred by the SLDMWA in delivering Settlement water. The District is also obligated to share in these costs

**TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 14 - Commitments and Contingencies (continued)

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 \$94,327. This amount was paid by the District in 2021.

FWA's estimated payment schedule is as follows:

Payment	Date	Friant Share at 40% of Total	District Allocated Share Share based on
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	709,007	WY 2022 Percentage
		<u>\$ 4,939,866</u>	

Friant-Kern Canal Capacity Correction

As a Friant contractor, the District has a potential future obligation to the Friant Water Authority for its proportion of project cost for the Friant-Kern Canal 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 Authority 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.

TULARE IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 - Commitments and Contingencies (continued)

Friant-Kern Canal Capacity Correction (continued)

The current estimated share of the District's obligation is \$427,422 and the estimated funding request schedule from the FWA is as follows:

<u>Invoice Date</u>	<u>Payment Due Date</u>	<u>Amount</u>
August 13, 2021	October 1, 2021	\$ 427,422
November 19, 2021	January 3, 2022	460,895
February 11, 2022	April 1, 2022	439,785
May 13, 2022	July 1, 2022	447,520
August 19, 2022	October 3, 2022	722,973
November 18, 2022	January 3, 2023	393,297
		<u>\$ 2,891,892</u>

Other Cases

The Tulare Irrigation District, as a member of the Friant Water Authority, is also a party through the Authority in various cases currently in litigation concerning releases of water from Friant Dam into the San Joaquin River. Adverse decisions on these litigations could significantly reduce the water supply available to the District. The financial impact of an unfavorable decision in any of these cases cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

**TULARE IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS*
AS OF DECEMBER 31, 2020**

The components of the District's Total OPEB Liability as of December 31, 2020 were as follows:

Total OPEB Liability (TOL)	<u>2020</u>	<u>2019</u>
Service cost at beginning of year	\$ 187,178	\$ 109,931
Interest on TOL plus service cost, less 1/2 benefit payments	144,202	155,619
Changes of benefit terms	-	-
Difference between expected and actual experience	-	126,821
Changes of assumptions	672,622	675,854
Benefit payments, adjusted for implicit subsidy	<u>(123,743)</u>	<u>(112,296)</u>
Net change in Total OPEB Liability	880,259	955,929
Total OPEB Liability - beginning	<u>5,177,406</u>	<u>4,221,477</u>
Total OPEB Liability - ending	<u><u>\$ 6,057,665</u></u>	<u><u>\$ 5,177,406</u></u>
Covered-employee payroll	\$ 1,553,426	\$ 1,729,291
Total OPEB liability as a percentage of covered-employee payroll	389.96%	299.39%

* This is a 10-year schedule, however prior valuations were not rerun in accordance with GASB 75 and are therefore not presented. Additional years will be added to this schedule as information becomes available until 10 years are presented.

See independent auditor's report.

**TULARE IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS LIABILITY CONTRIBUTIONS
AS OF DECEMBER 31, 2020**

The District OPEB plan does not currently have any actuarially determined, contracted, or statutorily required contribution requirements.

See independent auditor's report.



CUTTONE & MASTRO
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Tulare Irrigation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tulare Irrigation District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Tulare Irrigation District's basic financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Tulare Irrigation 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 Tulare Irrigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tulare Irrigation District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

A handwritten signature in cursive script that reads "Cuttone & Mastro".

Fresno, California
November 1, 2021