LOWER TULE RIVER IRRIGATION DISTRICT

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2021

CONTENTS

cuttone & mastro
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lower Tule River Irrigation District:

Opinion

We have audited the accompanying financial statements of the Lower Tule River Irrigation District (the District) as of and for the year ended December 31, 2021, 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 Lower Tule River Irrigation District as of December 31, 2021, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern 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 on 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.

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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 Stone Corral Irrigation 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-12, Schedule of Proportionate Share of the Net Pension Liability – Miscellaneous Plan and Schedule of Contributions – Miscellaneous Plan on page 40 and the Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios on page 41, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 43 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cuttone & Mastro

Fresno, California
July 29, 2022

Discussion of the Basis Financial Statements

The District's 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 change in net position, financial position and changes in cash flows.

The District's financial statements include the (1) Statement of Net Position (2) Statement of Revenues, Expenses and Changes in Net Position and (3) Statement of Cash Flows. Notes to the financial statements are provided as well. 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 ending 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 District's financial statements also includes a fiduciary fund – private-purpose trust, which was established to account for assets held for the benefit of the Tule Subbasin SGMA (Sustainable Groundwater Management Act) Group and the Success Reservoir Enlargement Project (SREP). The SGMA Group fund was established to hold funds for the purpose of paying professional service fees relative to the basin wide management and monitoring of groundwater under the SGMA regulations. The SREP fund was established to hold funds for the purpose of paying for professional service fees, and real estate purchases relative to the enlargement of the Success Reservoir. Included reports are (1) Statement of Fiduciary Net Position as of December 31, 2021, and (2) Statement of Changes in Fiduciary Net Position – Fiduciary Fund for the year ended December 31, 2021.

Condensed Financial Information

CONDENSED STATEMENT OF NET POSITION

	2021	Restated 2020
Current Assets	$ 18,334,781	$ 8,584,020
Capital Assets, net of accumulated depreciation	42,121,471	40,860,433
Noncurrent Assets	2,174,979	2,239,519
Deferred Outflows of Resources	2,204,814	2,441,886
Total Assets and Deferred Outflows of Resources	$ 64,836,045	$ 54,125,858
Current Liabilities	$ 4,053,417	$ 3,832,843
Long-Term Liabilities	27,930,693	23,199,647
Deferred Inflows of Resources	6,812,411	3,537,805
Total Liabilities and Deferred Inflow of Resources	38,796,521	30,570,295
Net Investment in Capital Assets, Net of Related Debt	25,552,710	24,385,324
Restricted	1,500,000	1,500,000
Unrestricted	(1,013,186)	(2,329,761)
Total Net Position	26,039,524	23,555,563
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 64,836,045	$ 54,125,858

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2021
Total operating revenues	$ 12,617,027
Total operating expenses	(11,746,952)
Operating income (loss)	870,075
Non-operating revenue (expense)	1,613,886
Change in net position	$ 2,483,961

The District is in healthy financial condition. The District has sufficient current assets to cover current liabilities for the upcoming year, as current assets are more than four times larger than current liabilities. 2021 was a relatively dry year compared to 2020. This resulted in surface water sales being down. Despite the lack of available surface water, the District was able to generate revenues from the sale of groundwater credits and charge for transitional pumping to landowners through implementation of the Groundwater Sustainability Plan. Overall, the District's net position increased by $2,483,961.

Budget Variances

	2021 BUDGET	ACTUAL EXPENSE	VARIANCE
General, Administration & Operating	$ 4,616,948	$ 5,405,391	$ (788,443)
Special Projects	342,500	215,988	126,512
SUB-TOTAL – NON-WATER	**4,959,448**	**5,621,379**	**(661,931)**
Water Purchases	6,750,000	6,125,573	624,427
GRAND TOTAL	**$ 11,709,448**	**$ 11,746,952**	**$ (37,504)**

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 largest variance was under the General, Administration & Operating category. This was due to the District not budgeting for certain expenses at the beginning of the year. These expenses were depreciation expenses of $716,466, retirement expense of $231,788 to recognize the change in pension liability, and OPEB expense of $281,846 to recognize the change in OPEB liability. The Water Purchases category was under budget by $624,427 due to the District overestimating certain water supply invoices and the drier year type. Overall, the District had a negative variance of $37,504.

Board Designated- Cash and Investments

The District has established and adopted a reserve policy and guidelines for the accumulation and use of reserve funds. While the Board designates these funds as reserve funds, they are not restricted and the Board can utilize such funds for any purpose.

The responsibility for the accounting and investment of the District's Reserve funds resides with the Board of Directors. Authority to implement the Reserve Policy and Guidelines is delegated to the Treasurer and Deputy Treasurer, under the working supervision of the General Manager.

A reserve is a portion of the unrestricted cash and investments of an organization, in a stated amount, held for a designated purpose. Establishing reserves is essential due to the fluctuating nature of the District's water supply and the possibility of unanticipated events. Accumulations of reserves are necessary to meet the long-term known and unknown needs of the District.

The District is organized and operates under the statutory authority of Division 11 of the California Water Code. There are no other provisions of California law that govern the accumulation and use of reserves. Absent statutory guidelines to direct special districts in the accumulation and use of reserves, The District has established and adopted this Reserve Policy and Guidelines. The Reserve Policy and Guidelines are reviewed on no less than an annual basis and can be amended only by action of the Board of Directors. Expenditure of District reserve funds requires action of the Board of Directors.

Reserves can be accumulated for the following purposes:
1. To cover costs associated with the purchase of water and water related expenses.
2. To cover costs associated with the purchase of water for ground water recharge
3. Capital improvement projects
4. Repair and maintenance of District infrastructure
5. Purchase of equipment
6. Emergency situations
7. Debt obligations
8. Water rights defense
9. Other Post-Employment Benefits

As of December 31, 2021, the District had the following targeted and actual designated cash and investment reserves:

	Target	Actual
Water Rate Stabilization	$ 1,500,000	$ 1,500,000
Capital Improvement Projects	500,000	500,000
Water Supply Protection	150,000	150,000
Operations & Maintenance Expense	3,000,000	660,753
Other Post-Employment Benefits	5,152,056	5,152,056
Water Supply Improvement Project	-	-
Transitional Pumping	4,458,840	4,458,840
Debt Obligation – CVP Capital	119,952	119,952
Total Cash and Investment Reserves	$ 14,599,022	$ 12,541,601

Water Rate Stabilization

Reserves are allocated for Water Rate Stabilization to meet water costs during years when the water related expenses exceed revenue from water sales to District water users. A reserve for water related expenses is established at a level, which ensures the District adequate financial resources to meet water related operating expenses regardless of hydrology and available water supply. Water rates to users are established through modeling that uses a rolling five-year average of expenses, revenue and actual delivery percentages. The purpose of the model is to provide stable rates from one fiscal year to the next. The reserve component enables the District to withstand dramatic financial events related to hydrology and available water supply. The actual size of the reserve will fluctuate from year to year. By action of the Board of Directors the target reserve for water related expenses is set at $1,500,000.

Capital Improvement Projects

The Capital Acquisition and Expansion Reserve is used to account for funds accumulated to provide for the major renovation, construction or purchase of capital projects and new facilities such as canals, ditches, recharge basins, real estate and buildings. Establishing capital project reserves will reduce reliance on debt financing or long-term financing costs. By action of the Board of Directors the target reserve for Capital Improvement Projects is set at $500,000.

Water Supply Protection

The reserve related to Water Supply Protection is established to provide a funding source to cover costs associated expenses in defending the District's water supply and water rights. The District has on-going legal issues related to Central Valley Project water supply in contracting and litigation arenas. Those include:

1. San Joaquin River Settlement Act
2. Cross Valley Canal CVP Contracts

The District maximizes dollars spent for Water Supply Protection by joining with other agencies in cost sharing. The District's share of legal expenses related to water rights protection has exceeded $100,000 in certain years. The on-going nature of water supply/rights disputes prescribe the need to establish a reserve to cover costs that are unexpected and not within the coverage of the District's annual budget for legal expenses. By action of the Board of Directors the target reserve for Legal Expenses is set at $150,000.

Operations and Maintenance Expenses

The reserve related to Operations and Maintenance Expenses is established to provide a funding source to cover costs associated with expenses related to operating and maintaining the District. Those expenses include:

1. Debt Service
2. Payroll and Benefit Expenses
3. Equipment Upkeep and Maintenance
4. Canal Maintenance

A reserve to fund operations and maintenance expenses is established to cover year(s) types where the District's annual assessment does not meet the funding levels required to cover annual expenses. Such year types are not likely to occur frequently, however there could arise situations from acts of God, terrorism and the like that could dramatically alter the ability of the District landowners to pay their annual assessments. In such instances the District needs to have reserves to meet contractual and recurring expenses. By action of the Board of Directors the target reserve for Operation and Maintenance Expenses is set at $3,000,000 which approximates the District's annual Operations and Maintenance budget.

Other Post-Employment Benefits

The District provides a medical insurance plan to its retired employees. Under Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB),* the District is required to account for the annual OPEB costs and the unfunded actuarial accrued liability for past service costs. By action of the Board of Directors the initial reserve for Other Post-Employment Benefits was set at the amount of the unfunded actuarial accrued liability as of the December 31, 2021 audited financial statements. The target amount of the reserve is adjusted annually based on the annual accrual made in the final audited financial statements. The target balance of this account, as of December 31, 2021, was $5,152,056.

Water Supply Improvement Projects

The Water Supply Improvement Project fund is established to account for funds accumulated to provide for the major renovation, construction or purchase of capital projects and new facilities such as canals, ditches, recharge basins, real estate and buildings. Establishing capital project designated funds will reduce reliance on debt financing or long-term financing costs. The Water Supply Improvement Projects fund is funded exclusively through revenues received from long-term (5-year of longer) water agreements to which the District is a party. Any revenue received from these agreements is to be placed into the Water Supply Improvement Project reserve fund unless otherwise designated by action of the Board of Directors.

At its discretion, the Board may also utilize monies from the Water Supply Improvement Project fund to purchase water supplies for the District. Any water purchased by the monies from the reserve fund must be water that the District does not have access to under any other contracts or water supply agreements.

Overall Analysis

Water Supply

The District receives its water supply from three separate sources:

1. CVP – Friant Division under contract number 175r-2771D. Under this contract the District was entitled to receive up to 61,200 acre-feet of Class One and 238,000 acre-feet of Class Two water supply delivered via the Friant Kern Canal. In addition, the District may access RRA Section 215 water from the Friant Project when it is made available by the Bureau of Reclamation.

2. CVP- Shasta Division under contract number 14-06-200-8237A. Under this contract the District is entitled to receive up to 31,200 acre-feet delivered via the California Aqueduct to the Cross Valley Canal. In addition, the District may access RRA Section 215 water from the Friant Project when it is made available by the Bureau of Reclamation. The District's CVP contract supply is delivered via exchange with other CVP or State Water Project Contractors via the California Aqueduct. The District has a three-party contract with the United States and the State of California for delivery of the water. In 2021, the water contract was converted to a perpetual contract. At that time, the three-party conveyance contract was separated and entered into as a separate agreement. To access the water, the District exchanges the water for Friant supplies.

3. Tule River pre-1914 water right. The District takes delivery of water through water rights holdings on the Tule River. The District receives approximately 50% of the annual Tule River water supply.

2021 Water Deliveries – These are actual contract supply deliveries to the District during Water Year 2021 (March 2021 through February 2022).

Class One[1]:	12,245 a/f
Class Two:	0 a/f
Recovered Water Acct.	0 a/f
Unreleased Restoration Flows	0 a/f
Tule River:	325 a/f

[1] The District receives Class One water in transfer and exchange with other Friant Division CVP contractors and carries Class One water over in Millerton Reservoir from one year to the next. Therefore, the total of the water delivered as Class One and the water transferred will not equal the contract supply of 61,200 acre-feet

2021 Water Transfers In – These are actual transfers in, to the District, during the Water Year 2021.

15,661 a/f Class One

2021 Water Transfers Out – These are actual transfers out, of the District, during the Water Year 2021.

Class One:	11,644 a/f
Class 2:	0 a/f
Unreleased restoration Flows	0 a/f
San Joaquin River Restoration Recaptured Water	455 a/f

A complete breakdown of all transfers of water in and out is available via the water delivery schedules provided to the Bureau of Reclamation and Tule River Association.

Water Usage by Customers – Water is supplied to landowners through the Districts internal delivery system. The District allocates water to landowners outside of flood season operations. During flood season operations, the District does not allocate water to landowners and deliveries are provided on a first come first served basis.

During Water Year 2021, 14,736 acre-feet was delivered to water users within the District. In addition, 2,074 acre-feet was recharged in District basins, 0 acre-feet was recharged in the Tule River within the District and 8,199 acre-feet was recharged in the District canal and other delivery channels.

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. Status of District reserve accounts
4. Price of the available water.

The water rates for water year 2021 were; $50 per acre foot for surface water and $43 per acre foot for groundwater recharge credits.

Faced with always increasing costs, the Board decided in 2005 to level the water rate on a rolling five-year average. The calculations consider what the District has to pay for the water, the percentage that will be sold after channel loss, and how much water has been available to the District over the previous five-year period. The result computes a rate the District needs to charge to cover the cost of water on a rolling 5-year average. The leveling plan results in a rate that keeps the cost similar from one year to the next.

The plan results in over-collection in some years and under-collection in others. The other reason for leveling the rates is to provide a certain element of pricing predictability from year to year. In other words, the landowners and water users will know at the start of the year what they can expect for water rates for the entire year, and will have a pretty good estimation of what the water rate will be for the following year as well.

The 2021 there was no summer irrigation run and thus no District wide surface water allocation. Surface water deliveries during flood operations of Success and Millerton reservoirs are not allocated, in order to encourage as much water use as possible during those periods.

Capital Assets

The District is always looking for ways to improve the efficiency of the distribution system, as well as add to the distribution system and add to the District's ability to recharge water into the underground for the landowners.

Riparian Area Distribution System – The District has completed a feasibility study on building out a distribution system between the north and south forks of the Tule River, the last remaining area within the District that cannot receive surface water deliveries. The project consists of a pipeline distribution system to serve approximately 5,750 acres within the District, between the north and south forks of the Tule River. The District intends to complete the project in two phases: Phase 1 will be the installation of 5.4 miles of new pipeline serving 2,200 acres and Phase 2 will be the installation of 5.9 miles of new pipeline serving 3,550 acres summarized below.

Phase 1: Lateral A – Construct Turnout in the Districts North Canal at Road 172 and install 5.4 miles of new pipeline.

Phase 2: Lateral B – Replacement and Extension of Nagel Pipeline with 2.3 miles of new pipeline. Lateral C – Construct Turnout in Tule River North Branch at Road 136 and install 3.6 miles of new pipeline.

During 2016, the District was awarded a grant from the California Department of Water Resources in the amount of $1,403,915 to complete Phase 1 of the project. The grant is a 50/50 matching grant. In 2017, the District was notified of approval of a $1,000,000 grant to complete Phase 2 of the project. The District executed the grant agreement with the US Bureau of Reclamation on Phase 2 in 2019. Construction of Phase 1 began in January 2018. Phase 1 construction was completed during the spring of 2019. In November 2019, pipe and materials were ordered for Phase 2 with Phase 2 construction began in January 2020 and construction completed in 2021.

Other Items

SJR Settlement Act – Public Law 111-11

The 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 has 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 contract # 175r-2771-LTR1 between the District and the Bureau of Reclamation. In September of 2005, the parties reinitiated settlement discussions.

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 to implement 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. A companion bill, Senate Bill 27, was introduced in the United States Senate but did not have a hearing prior to January of 2008.

LOWER TULE RIVER IRRIGATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2021

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 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 contactors, to pre-pay their current capital obligations. The current capital repayment is structured through current water rates with any remaining balance, 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 through a bond to be repaid in annual installments over 30 years. To assist with the bond financing process, the District retained the services of a financing agent (Wells Fargo) and Bond Council. The amount owed in 2030 under the 9e form of contract was discounted to a present-day value. During 2009 The District conducted numerous Board workshops and landowner meetings to determine the preferred form of collection of the amount needed for annual repayment.

Three methods were considered:

1. Using the current methodology of applying the cost of capital to the water rates.
2. Applying the full cost of financing the capital obligation to the land via a supplemental or increase to the current assessment
3. A combination approach

<u>9d Contract Conversion</u> – 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 November 17, 2010. The contract required repayment of capital in the amount of $20,257,866. On November 3, 2010, Lower Tule River ID priced and sold bonds through Wells Fargo in the amount of $22,200,000 to pay the capital obligation owed to Reclamation, meet principal and interest payment fund reserve requirements and cover financing costs of the transaction. The original bond issuance was refunded in 2020.

See Note 10 of the Financial Statement notes for details of the Bond financing, refunding and payment obligations.

<u>Success Dam Remediation</u> – In 2004, the United States Army Corps of Engineers began to work towards the eventual remediation of Success Dam and the safety issues related to potential seismic issues. In 2006, the Corps spent considerable resources on foundation exploration and design, as well as, preliminary environmental review. Based on foundation exploration done at the time, the Corps decided to build a new earthen dam at the existing site. The 2006 federal budget included the amount requested by the Corps for continuing the project.

The President's 2007 Budget included $25 million for the project. However, changes in Congress resulted in a 2007 Budget not being adopted. As a result, Congress did not take up the Energy and Water Appropriations Bill, which means the entire Fiscal Year of 2007 was being funded under a Continual Resolution which mandated spending at the 2006 levels.

The estimated project cost as of 2006 was $400 million dollars. The local share of the project would be 1.94% of the final cost. The District will be responsible for repayment of 51.5% of the 1.94%. The Corps also restricted the lake level at 30% of normal capacity until further notice.

Over the course of 2006, the earthen embankment dam alternative emerged as the preferred alternative. During 2007, the total project remediation budget costs were estimated at $471,500,000, which is more than 10 times the original estimated remediation costs included in the 1999 Evaluation Report. The estimated benefits do not include loss of life considerations; future benefits associated with the congressionally approved Tule River CA project (10 ft spillway raise project), or hydropower energy production benefits. With a remediation cost of $471.5M and benefits currently estimated at $302M, the corresponding benefit to cost ratio was 0.64.

During 2007, the project benefits were updated. This work included revised topography, flood routing, and project-impacted properties, and modified deformation analysis. The benefit cost ratio was revised and included updated project benefits. That work was done in the summer of 2008. The construction schedule at the time called for work to begin in 2011 with completion in 2014.

In 2008 the Corps provided an updated schedule that showed a completed Record of Decision and Letter Report by the summer of 2009 with a project completion in 2014. In March of 2009 the Corps provided a seasonal variance to the storage restriction level to Elevation 630, which provides 40,900 acre-feet of storage and conservation space.

In 2010 neither the Letter Report nor the environmental documents were completed. The Federal Appropriation for the remediation in 2010 was $500,000. There was no federal appropriation for 2011 as the Federal Government continued funding through Continuing Resolutions instead of approved budget bills and appropriations. The maximum allowable storage for 2010 was allowed for Elevation 630 which is roughly 40,900 acre-feet.

In August of 2011 the Corps submitted a draft remediation plan to their Senior Oversight Group for review. The Senior Oversight Group remanded the plan back to the Corps District office (Sacramento) for modification. In January of 2012, the Corps District office met to review the Baseline Risk Assessment using the criteria suggested by the Senior Oversight Group. In April of 2012, the Corps announced the raising of the storage restriction to elevation 640 which equates to a storage level of 56,000 acre-feet.

The Corps reviewed the Baseline Risk Assessment through 2012 and planned to submit a final report to Corps Headquarters in 2012. The final report included a storage restriction for 2013 and remediation measures for the Success Dam. The 2013 operating restriction will be in place until the remediation measures are complete.

The Corps held a stakeholder briefing in October 2012 and a Risk Assessment team meeting in January 2013 at which time they concluded that both the seepage and seismic concerns did not fall within a target zone that would require mitigation. The Corps will be issuing a final report in 2013 that will include those findings along with a final recommendation for an operating restriction.

That final report was issued to the Senior Oversight Group in July/August of 2013. The report was subsequently remanded back to the Corps District office for further changes. After further analysis, the District received notice in 2016 that the Operating Restriction would be lifted and full storage again allowed.

In 2017, the District, in conjunction with the other Tule River interests, renewed the process of reengaging the Corps on the Success Reservoir Enlargement Project, which would include raising and widening the spillway by 10 feet and enlarging the reservoir capacity from 82,000 acre-feet to 110,000 acre-feet. During 2018, the SREP was fully funded through the Bipartisan Budget Act of 2018.

During 2021, construction of Phase 1 of the project, relocation of the access road around the spillway, was completed. Construction on Phase 2, construction of the new spillway structure, is expected to begin in 2022 and be completed by 2024.

Sustainable Groundwater Management Act

In 2014 the State of California passed the Sustainable Groundwater Management Act (SGMA), which mandated the formation of Groundwater Sustainability Agencies (GSAs) and the development of Groundwater Sustainability Plans (GSPs) that get the GSA to groundwater sustainability by 2040. In 2016, the District formed itself as a GSA and formed a Groundwater Planning Commission, appointing stakeholders to advise the Board of Directors in the development and implementation of a GSP. The Board approved the GSP and submitted it to the California Department of Water Resources (DWR) in January 2020. The District received comments on the GSP from DWR in January 2022. The GSP was deemed incomplete by DWR. District staff and consultants are working to make changes to the GSP and respond to DWR comments. Responses to DWR are due in July 2022. The District implemented the GSP beginning on February 1, 2020.

Combined Operations and Equipment Purchases Budget

Beginning in 2008, and ever since, the District has operated under a combined operations budget with the Pixley Irrigation District. General, administrative, operations and maintenance expenses for the Districts are paid from this combined budget. The budget also includes the joint purchase of any equipment needed by the Districts. The total approved budget for 2021 was $4,534,000. The District is responsible for 66.67% of the total operations and maintenance budget.

Requests for Information

This financial report is designed to provide users of the financial statements with a general overview of the District's finances and to demonstrate the Districts' accountability for the money it receives. If you have any questions about this report or need any additional information, contact the General Manager of the District at 357 East Olive Ave., Tipton, California 93272, or phone (559) 686-4716.

LOWER TULE RIVER IRRIGATION DISTRICT

FINANCIAL STATEMENTS

LOWER TULE RIVER IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 12,541,601
Investments	544,998
Receivables	
Accounts and water sales	1,045,303
Assessments and sale certificates	2,280,196
Transitional pumping	874,414
Accrued interest	16,458
Property taxes	3,618
Other	35,481
Water exchange accounts receivable	958,855
Prepaid expenses	33,857
Total Current Assets	18,334,781
Non-Current Assets:	
Restricted cash	1,500,000
Sales certificates receivable	41,037
Capital Assets, net of accumulated depreciation	42,121,471
Investments in Joint Power Authorities	362,641
Investments in Ditch Stocks	267,939
Other Assets	3,362
Total Non-Current Assets	44,296,450
Total Assets	62,631,231
Deferred Outflows of Resources:	
Deferred outflows related to pension	405,815
Deferred outflows related to OPEB	1,798,999
Total Deferred Outflows of Resources	2,204,814
Total Assets and Deferred Outflows of Resources	$ 64,836,045

LOWER TULE RIVER IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

LIABILITIES	
Current Liabilities:	
Accounts payable and payroll liabilities	$ 1,739,770
Interest payable	320,804
Accrued expenses and other	120,430
Compensated absences payable	277,937
Payable to other agencies	19,689
Current portion of long-term debt	1,086,248
Water exchange accounts payable	352,360
Net OPEB liability, current portion	136,179
Total Current Liabilities	4,053,417
Long-Term Liabilities:	
Long-Term debt, net of current portion	21,440,867
Net OPEB liability	5,015,877
Net pension liability	1,473,949
Total Long-Term Liabilities	27,930,693
Total Liabilities	31,984,110
DEFERRED INFLOWS OF RESOURCES	
Deferred assessment revenue	5,329,299
Deferred water sales and transitional pumping revenue	73,415
Deferred inflows related to pensions	1,409,697
Total Deferred Inflows of Resources	6,812,411
Total Liabilities and Deferred Inflows of Resources	38,796,521
NET POSITION	
Net investment in capital assets	25,552,710
Restricted	1,500,000
Unrestricted (deficit)	(1,013,186)
Total Net Position	26,039,524
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 64,836,045

LOWER TULE RIVER IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Year Ended December 31, 2021

OPERATING REVENUES	
Water sales – in district	$ 29,122
Water sales – outside district	758,775
Groundwater revenues	3,785,490
Transitional pumping water revenue	5,455,141
Assessments and charges	1,948,838
Other operating revenues	639,661
Total Operating Revenue	12,617,027
OPERATING EXPENSES	
Source of supply	6,125,573
Transmission and distribution	1,460,825
General and Administrative	4,160,554
Total Operating Expenses	11,746,952
Total Income from Operations	870,075
NON-OPERATING REVENUES (EXPENSES)	
Debt service assessments	1,504,951
Taxes, county collections	194,913
Interest income	21,223
Interest expense	(378,222)
Net custom work revenue	227,756
Loss on investments	(8,558)
Loss on investment in power authorities	(37,083)
Change in value of water transfer receivable/payable	72,531
Gain on disposal of capital assets	28,976
Debt issue cost	(50,000)
Other non-operating revenues	37,399
Total Non-Operating Revenue (Expenses)	1,613,886
CHANGE IN NET POSITION	2,483,961
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY STATED	24,226,553
PRIOR PERIOD ADJUSTMENT	(670,990)
NET POSITION, BEGINNING OF YEAR AS RESTATED	23,555,563
NET POSITION, END OF YEAR	$ 26,039,524

LOWER TULE RIVER IRRIGATION DISTRICT
STATEMENT OF CASH FLOW
For The Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 12,504,684
Cash paid to suppliers and vendors	(8,301,714)
Cash paid for employees, taxes, and benefits	(2,269,668)
Net cash provided by operating activities	1,933,302
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACITIVITIES	
Cash received from assessment for debt service	1,504,951
Issuance of long-term debt	7,200,000
Debt issue costs paid	(50,000)
Proceeds from the sale of capital assets	28,976
Cash paid for capital asset acquisitions	(1,977,503)
Principle payment of long-term debt	(810,000)
Interest paid on long-term debt	(602,372)
Net cash provided by capital and related financing activities	5,294,052
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES	
Cash received from property taxes	197,305
Net borrowings from other governments	(129,632)
Net cash provided by noncapital financing activities	67,673
CASH FLOWS FROM INVESTING ACTIVITES	
Cash used to purchase investments	(218,243)
Distribution from investment in joint power authority	42,750
Interest received	23,851
Net cash (used) by investing activities	(151,642)
Net increase in cash and cash equivalents	7,143,385
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,898,216
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,041,601

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

Recognition of the District's proportionate share of Success Power Project and Deer Creek & Tule River Authority's equity as of December 31, 2021 was recorded as income (loss) in the following amounts:

- Success Power Project - $(33,271)
- Deer Creek & Tule River Authority - $(3,812)

See Accompanying Notes to Financial Statements

LOWER TULE RIVER IRRIGATION DISTRICT
STATEMENT OF CASH FLOW
For The Year Ended December 31, 2021

Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Income from Operation	$ 870,075
Adjustments to reconcile income from operations to cash provided by operating activity:	
Depreciation	716,466
Net custom work revenue	227,756
Change in value of water transfer receivable/payable	72,531
Other non-operating income	37,399
(Increase) Decrease in:	
Receivables:	
Accounts and water sales	(373,960)
Assessments and sales certificates	(1,174,744)
Transitional pumping	(874,414)
Other	(18,176)
Water exchange accounts receivable	6,605
Prepaid expenses	16,999
Other assets	(315)
Deferred outflows related to pensions	72,451
Deferred outflows related to OPEB	164,621
Increase (Decrease) in:	
Accounts payable and payroll liabilities	(109,615)
Water exchange accounts payable	42,010
Accrued expenses and other	(19,595)
Compensated absences payable	23,434
Deferred assessment revenue	1,936,882
Deferred water sales and transitional pumping revenue	54,698
Deferred inflows related to pensions	1,283,026
Net pension liability	(1,302,678)
Net Other postemployment benefits obligations	281,846
Net Cash Provided by Operating Activities	$ 1,933,302

LOWER TULE RIVER IRRIGATION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCARY FUND – PRIVATE-PURPOSE TRUST
December 31, 2021

	SGMA	SREP
ASSETS		
Cash and cash equivalents	$ 437,297	$ 1,836,553
Grants receivable	-	2,868,250
Total Assets	437,297	4,704,803
LIABILITIES		
Accounts payable	-	731,275
Accrued interest	-	13,912
Note payable	-	3,500,000
Total Liabilities	-	4,245,187
NET POSITION		
Restricted for:	437,297	459,616
Total Net Position	$ 437,297	$ 459,616

See Accompanying Notes to Financial Statements

LOWER TULE RIVER IRRIGATION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCARY FUND –PRIVATE-PURPOSE TRUST
For the year ending December 31, 2021

	SGMA	SREP
ADDITIONS		
Member assessments	$ -	$ 50,000
Interest	127	786
Grants	146,584	2,868,250
Total Additions	146,711	2,919,036
DEDUCTIONS		
Reimbursable construction costs	-	2,868,250
Non-reimbursable costs:		
Professional services	185,239	68,901
Groundwater monitoring	220,733	-
Interest expense	-	35,262
Property taxes	-	121
Total Deductions	405,972	2,972,534
CHANGE IN FIDUCIARY NET POSITION	(259,261)	(53,498)
NET POSITION, BEGINNING OF YEAR	696,558	513,114
NET POSITION, END OF YEAR	$ 437,297	$ 459,616

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Description of Operations: Lower Tule River Irrigation District ("District") is a California Special District formed in 1950 under the California Water Code to provide irrigation water for agricultural purposes. The District encompasses over 103,000 acres of land of which approximately 85,000 acres are irrigated. The principal sources of income are agricultural water sales and property tax assessments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Government Accounting Standards Board (GASB)*, the Lower Tule River Irrigation District Groundwater Sustainability Agency (GSA) is the only component unit that should be included with the accompanying financial statements of the District. All the financial activity of the GSA is reported by the District.

Basis of Presentation and Accounting: The District follows the provisions of the Governmental Accounting Standards Board Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis- For State and Local Governments."* Statement 34, as amended, established the financial reporting standards for all state and local government entities, which includes a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It requires the classification of net position in the following three components:

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

Restricted net position — This component of net position consists of constraints imposed by creditors (such as through debt covenant), 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" or "net investment in capital assets."

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.

The accompanying financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of the timing of related cash flows.

The District reports the following enterprise fund and fiduciary fund:

Enterprise Funds: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises: (a) where the intent of the governing body is that the costs (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.

Fiduciary Funds: Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the District's operations. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reporting entity includes two private-purpose trust funds for amounts held for the benefit of the Tule Subbasin sustainable groundwater management act (SGMA) group and Success Reservoir Enlargement Project (SREP).

SGMA Group – Pursuant to an agreement executed between the District and SGMA group, this interest-bearing account was established to hold funds for the purpose of paying professional service and monitoring fees relative to the managing of groundwater. Interest earned on the funds is added to the fund.

SREP – Pursuant to the Project Cooperation Agreement, the District agreed to act as the Non-Federal Sponsor for agricultural water supply storage on behalf of those members of the Tule River Association. The District established a checking account and an interest-bearing account to hold funds for the purpose of paying for Non-Federal Sponsor share of costs related to the Success Reservoir Enlargement Project.

Cash and 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. This includes cash and cash equivalents included in restricted assets.

Investments: The District has adopted a formal investment policy as required by Section 53600 et seq., of the California Government Code. The District's investments have a readily determinable market value and are recorded and reported at fair value.

Accounts Receivable: Account receivable arise from billings to customers and other agencies for sales of water and other services. The District does not provide an allowance for uncollectible accounts. Historically such write offs have been minimal and are not considered a factor in financial statement presentations.

Operating revenues and expenses: Operating revenues and expenses consist of those revenues and expenses 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.

Assessment Revenue Recognition, Valuation and Rates: The District's assessment lien date occurs in August. The first installment is due December 20th and the second installment is due June 20th. The due dates of the assessments are set by California Water Code Section 26076. Assessment revenues are recorded as income in the District's fiscal year following the levy. Accordingly, the current year assessment is classified as deferred assessments revenue.

In, 2021, the District changed how assessments were levied through a proposition 218 vote. Previously, the District's primary assessment was based on land characteristic classifications ranging from $100 to $2,200 per acre. The current assessment structure consists of a general assessment, a surface water assessment, and a groundwater recharge assessment. Rates are approved by the board prior to levying of the assessments. For the year ending December 31, 2021, the general assessment rate was $40.89 per acre, the surface water assessment was $14.41 per acre for parcels with farming activities, and no assessments for groundwater recharge. Deferred assessment revenue totaled $5,329,299, which will be recognized in 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Exchanges Accounts: The District engages in water transfers and exchanges with several entities. Unless a specific price is stated in the agreement the water receivable or payable is valued at the per acre foot price the District is paying for either Friant Class 1 water or Cross Valley Canal (CVC) water at the reporting date. At December 31, 2021, the District had a Friant Class 1 water rate of $43.76 per acre foot and a CVC water rate of $88.28 per acre foot.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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.

Income Taxes: 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.

Capital Assets: Capital assets are recorded at cost less accumulated depreciation and updated for additions and retirements during the year. Repairs and maintenance and minor alterations are charged to expense as incurred. Costs which are considered improvements are added to the appropriate capital asset account. Gains and losses on disposition of capital assets are reported and recognized in the year of disposition. The District recognizes depreciation using the straight-line method over the estimated useful lives as follows:

Building and improvements	20-40 years
Field and shop equipment	10 years
Land improvements	50 years
Office equipment	5-10 years
Trucks and autos	10 years

Capital assets (long-lived assets) to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. As of December 31, 2021, there were no impairments of the District's long-lived assets.

Substantially all of the District's assets are insured against possible losses from fire and other risks. The District has a policy with the ACWA/Joint Powers Insurance Authority to cover its buildings, equipment, personal property, vehicles, plus liability coverage.

Compensated Absences: The District has accrued a liability for vacation and sick leave pay that has been earned and would be payable upon employee termination or retirement. Up to 200 hours of unused vacation pay can be accumulated and is payable upon termination or retirement. The District's retirement program provides for unlimited sick leave and becomes vested for permanent employees with five or more years of continuous service, payable at retirement.

If an employee quits or is terminated, however, that employee would receive credit for a maximum of 960 hours. Cash payments for accumulated sick leave are limited to 960 hours at 40% of the employee's current hourly rate. At retirement, an employee's accumulated sick leave in excess of 960 hours may be converted to additional years of PERS service credits. The employee shall also have the option of converting the first 960 hours, or any fraction thereof, to such service credits.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales Certificates: Sales certificates are issued on delinquent assessments in August of the assessment year and notification requirements are met. Once issued, sales certificates accrue interest at a rate determined by the State. If unpaid five years after the date of issuance, the District may issue a collector's deed and acquire title to the property. If a collector's deed is not issued and the sales certificate is not redeemed within ten years from the original issue date, the sales certificate is written off.

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.

Joint Governed Organizations: The District participates and associates with several 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.

Tule River Association - The Tule River Association was formed to facilitate the flow and storage of Tule River water and protect the rights of the interested parties. Lower Tule River Irrigation District is responsible for 49.5% of the expenses.

Power and Water Resources Pooling Authority (PWRPA) - The PWRPA was formed for the purpose of exercising powers common to the members to effectively study, promote, develop, conduct, design, finance, acquire, construct, and operate water related projects and programs. The PWRPA is funded through the sale of electricity to its members.

Board Designated- Cash and Investments: The District has established and adopted a reserve policy and guidelines for the accumulation and use of reserve funds. The policy is reviewed annually and reflects targeted reserves for operations and maintenance, capital outlay and water rights protection. While the Board designates these funds as reserve funds, they are not restricted and the Board can utilize such funds for any purpose. The responsibility for the accounting and investment of the District's Reserve funds resides with the Board of Directors. Authority to implement the Reserve Policy and Guidelines is delegated to the Treasurer and Deputy Treasurer, under the working supervision of the General Manager.

As of December 31, 2021, the District had the following targeted and actual designated cash and investment reserves:

	Target	Actual
Water Rate Stabilization	$ 1,500,000	$ 1,500,000
Capital Improvement Projects	500,000	500,000
Water Supply Protection	150,000	150,000
Operations & Maintenance Expense	3,000,000	660,753
Other Post-Employment Benefits	5,152,056	5,152,056
Water Supply Improvement Project	-	-
Transitional Pumping	4,458,840	4,458,840
Debt Obligation – CVP Capital	119,952	119,952
Total Cash and Investment Reserves	$ 14,599,022	$ 12,541,601

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Subsequent events have been evaluated as of July 7, 2022 which is the date the financial statements were available to be released.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The carrying amount of cash and cash equivalents at December 31, 2021 is as follows:

Cash in Bank - Citizen's Business Bank	$ 2,613,465
Citizen's Business Bank – money market funds	7,046,427
Citizen's Business Bank – fiduciary funds	1,550,390
US Bank – Trust Accounts	4
First Security Bank – money market funds	1,195
Cash held in O&M accounts	161,124
Cash held in UBS brokerage account	44,129
State of California Local Agency Investment Fund (LAIF)	4,898,717
	16,315,451
Less: fiduciary funds	2,273,850
Total cash and cash equivalents	14,041,601
Less: Restricted cash	1,500,000
Total cash and cash equivalents, unrestricted	$ 12,541,601

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 and that are approved by the Districts investment policy. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Commercial Paper: Pooled or Non-pooled Funds	270 days	25%	10%
Negotiable Certificates of Deposits (CDs)	5 years	30%	None
Non-negotiable CDs	5 years	None	None
Collateralized Bank Deposits	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

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 was 0.212%. 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.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk in market rate changes that could 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 that the District manages its exposure to interest rate risk is by purchasing a combination of shorter 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 District operations.

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuation is provided by the following table that shows the distribution of the District's investments by maturity

The District's investments by maturity at December 31, 2021:

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Government Sponsored Enterprises	$ 68,483	$ -	$ 305	$ 12,688	$ 55,490
Certificate of Deposit	10,900	-	10,900	-	-
	79,383	$ -	$ 11,205	$ 12,688	$ 55,490
Mutual Funds	465,615				
	$ 544,998				

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality ratings. None of the District's certificates of deposits have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District 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 risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-deal) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in possession of another party.

Concentrations of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

The District's investments that represent 5% or more of total investments at December 31, 2021:

Issuer	Investment Type	Reported Amount	% of Total Investments
Federated Hermes Fund for U.S. GOV'T Securities	Mutual Funds	$ 87,854	16.1%
Federated Hermes Government Income Trust	Mutual Funds	44,045	8.1%
Federated Hermes Adjustable-Rate Fund	Mutual Funds	34,927	6.4%
Federated Hermes Government Income Securities	Mutual Funds	53,141	9.8%
Pace Mortgage-Backed Securities Fixed Income	Mutual Funds	245,648	45.1%
Ginnie Mae	Government Sponsored Enterprise	40,118	7.4%

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The California Government code requires that a financial institution, secure the deposits made by state or local government unit by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of their pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At December 31, 2021, the bank balances with Citizens Business Bank were $11,283,804, and First Security Bank were $232,062. Of this balance, $250,000 per bank balance was covered by the federal depository insurance. The amount uninsured but collateralized at December 31, 2021 for Citizens Business Bank were $10,783,804. The First Security Bank balance as of 2021, was completely insured.

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

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Government Sponsored Enterprises: use a market-based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer provided prices.

Certificates of Deposits: uses a market approach based on institutional note quotes. Evaluations are based on various market and industry inputs.

Mutual funds: the fair value of mutual funds is based on quoted net asset values ("NAV") of the shares as reported by the fund. The mutual funds held by the District are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily NAV and transact at that price. The mutual funds held by the District are considered to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2021:

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Government Sponsored Enterprises	$ -	$ 68,483	$ -	$ 68,483
Certificates of Deposits	-	10,900	-	10,900
Mutual Funds	465,615	-	-	465,615
Total	$ 465,615	$ 79,383	$ -	$ 544,998

NOTE 4 – WATER TRANSFER RECEIVABLE/PAYABLE

At December 31, 2021, the total water transfer receivables of $958,855 consist of the following:

	Acre Feet	Value of Water per A.F.	Balance
Pixley Irrigation District	17,433	$ 43.76	$ 762,868
Homer, LLC	1,715	101.52	174,107
Exeter Irrigation District	500	43.76	21,880
			$ 958,855

At December 31, 2021, the total water transfer payables of $352,360 consist of the following:

	Acre Feet	Value of Water per A.F.	Balance
San Luis Water District	1,000	$ 88.28	$ 88,280
Del Puerto Water District	2,000	88.28	176,560
Orange Cove Irrigation District	2,000	43.76	87,520
			$ 352,360

NOTE 5 – CAPITAL ASSETS

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

	Balance 12/31/20	Additions	Deductions	Balance 12/31/21
Capital Assets Not Being Depreciated:				
Land	$ 540,243	$ 1,650	$ -	$ 541,893
Water and water storage rights	21,447,018	1,241,646	-	22,688,664
Construction in progress	2,475,349	475,846	2,886,934	64,261
Total	24,462,610	1,719,142	2,886,934	23,294,818
Capital Assets Being Depreciated:				
Distribution system	20,622,825	2,878,215	-	23,501,040
Buildings and improvements	676,112	-	-	676,112
Office equipment	148,118	-	-	148,118
Field and shop equipment	374,944	65,474	103,889	336,529
LTRID/PIXID Shared O&M	2,703,147	211,626	40,461	2,874,312
Total	24,525,146	$ 3,155,315	$ 144,350	27,536,111
Less Accumulated depreciation	(8,127,323)	$ (716,466)	$ 134,331	(8,709,458)
Net Capital Assets Being Depreciated	16,397,823			18,826,653
Net Book Value	$ 40,860,433			$ 42,121,471

NOTE 6 – INVESTMENTS IN DITCH STOCKS

The District has acquired shares in a water and ditch company in order to expand the amount of water supply available to the landowners within its boundaries. The total investment of $267,939 as of December 31, 2021 is reported on the Statement of Net Position at historical cost. Management does not consider the investments to be impaired. The amount of water received will vary from year to year.

NOTE 6 – INVESTMENTS IN DITCH STOCKS (Continued)

The number of shares owned as of December 31, 2021 and the acre-feet allocated to the District are as follows:

Ditch / Water Company	# of Shares	Acre-ft/Share	Total Acre-Ft	Historical Cost
Poplar Irrigation Co	29.3929	55.00	1,616.61	$ 266,904
Pioneer Water Co	1.00	0.00	0.00	1,035
Total			1,616,.61	$ 267,939

NOTE 7 – INVESTMENTS IN JOINT POWER AUTHORITIES

The District participates in two joint power authorities (JPA's), organized for functions related to the purpose of the District. The JPA's are not component units of the District, however, the following are considered joint ventures as defined by GASB No. 14. The investment in joint power authorities at December 31, 2021 consists of the following:

Success Power Project	$ 95,380
Deer Creek & Tule River Authority	267,261
Total Investments in Power Authorities	$ 362,641

Success Power Project - The District, as a member of the Tule River Association, entered into an agreement for use of the waters of Tule River for power generation at Success Dam (SPP). The SPP is comprised of 5 members with the District responsible for providing 57.00% of the operating funds. The District's share of the loss from SPP for the year ending December 31, 2021 was $33,271.

Deer Creek & Tule River Authority -The Deer Creek & Tule River Authority (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 43.83% of the operating funds for the DCTRA. The District's share of the loss from DCTRA for the year ended December 31, 2021 was $3,812.

Separate financial statements are available for each JPA, and condensed financial information for the most recent year are shown below:

	Unaudited December 31, 2021 SPP	Unaudited December 31, 2021 DCTRA
Total Assets	$ 167,333	$ 821,634
Total Liabilities	-	211,866
Total Net Position	$ 167,333	$ 609,768
Total Revenue	$ 331	$ 20,642
Total Expense	58,700	24,793
Change in Net Position	$ (58,369)	$ (4,151)

NOTE 8 — RELATED PARTIES

The District and the Pixley Irrigation District's (PIXID) geographical boundaries are adjacent to one another, and together comprise more than 172,000 acres in the southwestern part of Tulare County. The physical proximity and mutual objectives of both Districts has resulted in the District Boards working cooperatively on numerous projects and achieving mutual goals through the efficient use of mutual resources.

NOTE 8 — RELATED PARTIES (Continued)

The Districts have memorialized their cooperation with a memorandum of understanding (MOU), with the understanding that the MOU could be expanded, through addendums, to permit future efficient joint administration and clarification of their relationship. Per the MOU, on-going operational and maintenance costs are shared between PIXID and the District with the District's portion of shared cost being 66.67%.

For the year ending December 31, 2021, the District's portion of shared costs were $3,309,576. The District and the PIXID also share certain revenues generated from custom maintenance work for landowners and administration fees for other Districts and Water Companies. The District's share of the revenues for the year ended December 31, 2021 were $853,980. In addition to shared revenues and expenses, the District and PIXID share employees and the associated pension and other post-employment benefits. The District's 66.67% of pension and other post-employment benefits liabilities are disclosed in Notes 13 and 14.

The members of the District's Board of Directors are required to own land in the District Division they are elected to represent and may be water users of the District. Such water sales were consummated on terms equivalent to those that prevail in arm's length transactions.

NOTE 9 — POWER AND WATER RESOURCES POOLING AUTHORITY

The District has a contract with the Western Area Power Administration (WAPA), a department of the United States Department of Energy, for Base Resource Energy. Base Resource Energy is energy generated by Central Valley Project hydroelectric plants. Prior to January 1, 2005, the District's energy was delivered to facilities on the Cross-Valley Canal by Pacific Gas & Electric (PG&E) through a contract between WAPA and PG&E. Starting on January 1, 2005, WAPA contractors were required to find a new means to receive this energy. The District and other Cross Valley Canal Contractors with WAPA contracts, joined the Power and Water Resources Pooling Authority (PWRPA). PWRPA has contracted with PG&E and WAPA to deliver energy to PWRPA members. Any energy demand, not covered by the member's WAPA allocation, is covered through short-term and open market energy purchased by PWRPA. Cawelo Water District (Cawelo) receives the District's portion of power generated through the PWRPA, in exchange for Cawelo paying the membership cost of the District.

NOTE 10 – LONG-TERM DEBT

Enterprise Funds

Refunding Revenue Bonds, Series 2020A: In August 2020, the District refunded its outstanding certificates of participation through the issuance of new long-term debt. The bonds sold have a total carrying value of $13,810,000 and were issued at a premium of $2,776,801, which is included in the total long-term debt, net of current portion. Interest rates range from 3.0% to 5.0% on this issue. Payments are made semi-annually, with the final payments occurring in 2034. In order to make the annual debt service requirements, the District will use the special benefit assessments that were previously assessed for the certificates of participation. The Indenture of Trust requires the District to maintain a rate stabilization fund in which the District is to hold, in reserve, $1,500,000 and is restricted for the annual debt service payments. The bond premium will be amortized over the life of the bonds, which will reduce the Districts interest expense recognized. As of December 31, 2021, the amortization of bond premium was $337,994.

Installment Purchase Agreement: In May 2021, the District entered into an installment purchase agreement with First Foundation Bank, to issue debt in the amount of $7,200,000. Payments are to be made semi-annually over the next 18 years, with the final payments occurring in 2040. The interest rate on the note is 2.48%. In order to make the annual debt service requirements, the District will use the special benefit assessments levied on landowner. This debt was used by the District to make payments related to the Friant-Kern Canal Middle Reach Capacity Correction Project and to pay for the District's long-term CVC water right contract with the United States Bureau of Reclamation (See Note 11 for additional details).

NOTE 10 – LONG-TERM DEBT (Continued)

The debt service requirements on the long-term debt are as follows:

Year Ending December 31	Principal	Interest	Total
2022	$ 1,086,248	$ 772,460	$ 1,858,708
2023	1,123,719	733,589	1,857,308
2024	1,166,375	693,333	1,859,708
2025	1,219,221	642,987	1,862,208
2026	1,267,262	590,196	1,857,458
2027-2031	7,224,077	2,071,965	9,296,042
2032-2036	5,307,201	596,689	5,903,890
2037-2040	1,805,897	113,336	1,919,233
	20,200,000	$ 6,214,555	$ 26,414,555
Unamortized premiums	2,327,115		
Net long-term debt	$ 22,527,115		

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Refunding Revenue Bonds	$ 13,810,000	$ -	$ 810,000	$ 13,000,000	$ 785,000
Plus Unamortized Premium on Bond	2,665,109	-	337,994	2,327,115	-
Installment Purchase Agreement	-	7,200,000	-	7,200,000	301,248
	16,475,109	7,200,000	1,147,994	22,527,115	1,086,248
OPEB Liability	4,870,210	394,145	112,299	5,152,056	136,179
Net Pension Liability	2,776,627	-	1,302,678	1,473,949	-
Total	$ 24,121,946	$ 7,594,145	$ 2,562,971	$ 29,153,120	$ 1,222,427

Fiduciary Funds

2020 Promissory Note: In September 2020, the District, as the Non-Federal Sponsor, entered into an agreement with the Tulare County Treasurer-Tax Collector to issue debt in the amount of $3,500,000. The interest rate will be the prior quarter's Tulare County Treasury Pool's gross annual earnings rate, prior to expenses, plus 1%. The principal amount of the note is due in 5 years, from the loan inception, while accrued interest is paid quarterly. For the quarter ending December 31, 2021, the applied interest rate was 2.01%. Early payoff is permitted.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2020 Promissory Note	$ 200,000	$ 3,300,000	$ -	$ 3,500,000	$ -
Total	$ 200,000	$ 3,300,000	$ -	$ 3,500,000	$ -

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Water Delivery Contract: In December 2010, the District entered into a long-term contract with the United States Bureau of Reclamation (USBR 9(d) Contract) to purchase up to 61,200-acre feet of Class I water and up to 238,000-acre feet of Class II water each year from the Friant Division of the Central Valley Project (CVP). This contract has no termination date and remains in effect as long as the District follows the terms of the contract. The rate per acre-foot paid by the District for this contract water is determined annually in accordance with applicable Federal law and associated regulations. Water rates in effect at December 31, 2021 were $43.76 per acre-foot for Class I and $27.06 per acre-foot for Class II water.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

In addition, as of September 30, 2020, the District had a capital and construction cost deficit of $140,110. 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.

In October 2021, the District converted its interim renewal contract with the USBR to purchase of up to 31,102 acre-feet of Cross Valley Canal water to a long-term 9(d) contract. This contract has no termination date and remains in effect as long as the District follows the terms of the contract. The price of the water is determined annually in accordance with applicable law and associated regulations. The rate in effect at December 31, 2021 was $88.28 per acre-foot. In addition to the cost of the water, the District pays for conveyance charges to the Department of Water Resources and other surcharges associated with the delivery of the water.

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 OM&R costs incurred by the SLDMWA in delivering Settlement contractors' water. The District is also obligated to share in these costs.

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 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. The current estimated total share of the District's obligation is $5,532,876. The District made payments totaling $1,699,561 and the remaining estimated funding request schedule from the FWA is as follows:

Invoice	Payment Due Date	Amount
February 11, 2022	April 1, 2022	$ 841,412
May 13, 2022	July 1, 2022	856,213
August 19, 2022	October 3, 2022	1,383,219
November 18, 2022	January 3, 2023	752,471
		$ 3,833,315

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 $181,514. This amount was paid by the District in 2021.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

FWA's estimated payment schedule is as follows:

Payment	Date	Friant Share at 40% of Total	District's Allocated 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
		$ 4,939,866	

Resources Exchange Agreement – In October 2003, the District entered into a resource exchange agreement with Terra Bella Irrigation District (TBID) and Saucelito Irrigation District (SID). Under the terms of the agreement, TBID agrees to sell water to SID when prescribed water supply conditions are met. SID will deliver the water to the District for in-district use and groundwater recharge. In return, the District agrees to deliver water to the TBID in such quantities as requested by TBID in satisfaction of SID's obligation, not to exceed the amount of water then available for return pursuant to provisions of the agreement.

Joint Defense Agreement – The District entered into a Joint Defense Agreement with 18 other Special Districts and the City of Fresno to share attorney costs, attorney confidentiality, attorney work product, expert witnesses, etc. in "Potential Litigation" against the United States over certain disputes regarding the proper administration of the 1939 Purchase and Exchange of Waters Contracts and their respective permanent 9(d) water supply contracts.

Success Reservoir Enlargement Project – In 2017, the District, in conjunction with the other Tule River interests, renewed the process of reengaging the U.S Army Corps of Engineering on the Success Reservoir Enlargement Project, which would include raising and widening the spillway by 10 feet and enlarging the reservoir capacity from 82,000 acre-feet to 110,000 acre-feet. During 2018, the SREP was fully funded through the Bipartisan Budget Act of 2018.

During 2021, construction of Phase 1 of the project, relocation of the access road around the spillway, was completed. Construction on Phase 2, construction of the new spillway structure, is expected to begin in 2022 and be completed by 2024.

As the leading Non-Federal Sponsor for agricultural water supply storage portion of the Project, the District is responsible for providing the lands, easements, and rights-of-way, and performing all relocations, and making improvements to lands, easements, and rights-of-way to enable the disposal of dredged or excavated material required to complete construction of the Project.

Other Cases – The 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.

NOTE 12 – EMPLOYEE BENEFITS

The District provides medical insurance, dental insurance, vision insurance and disability insurance benefits for all regular employees and directors. The District pays 100% of the employee's premium for all insurance coverage and 50% of their dependent's premium for medical, dental and vision premiums. The District pays 100% of the director's premium. Directors pay 100% of the premium for dependent coverage.

NOTE 12 – EMPLOYEE BENEFITS (Continued)

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits deferment of a portion of current salary to future years. Benefits from the plan are not available to employees until termination, retirement, disability, death or unforeseeable emergencies. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEM

A. General Information about the Pension Plans

Plan Description - All full-time employees, when hired, are eligible to participate in the District's PEPRA Miscellaneous Plan, cost-sharing multiple employer defined benefit plans administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Temporary employees become eligible to participate in the Plan when they have worked 1,000 hours during the CalPERS fiscal year.

Benefit Provisions under the Plans are established by State statutes within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS website.

Benefits Provided - The Plan provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment and can only be amended by the District's Board of Directors.

The Plan's provisions and benefits in effect as of December 31, 2021, are summarized as follows:

	Miscellaneous Plan Pixley Irrigation District	Miscellaneous Plan Lower Tule River Irrigation District	PEPRA Miscellaneous Plan Lower Tule River Irrigation District
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	After January 1, 2013
Benefit formula	2% at 60	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Final Average Compensation Period	12 months	12 months	12 months
Retirement Age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%
Required employee contribution rates	7.0%	7.0%	6.75%
Required employer contribution rates	9.447%	10.221%	6.985%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1st following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEM (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Net Pension Liability – As of December 31, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	2021
Miscellaneous Plan	$ 1,473,949

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the Plan as of December 31, 2021 was as follows:

	Misc. Plan
Proportion – December 31, 2020	0.08432%
Proportion – December 31, 2021	0.10482%
Change – Increase	0.02050%

Deferred Outflows and Inflows of Resources Related to Pension – At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 165,287	$ -
Difference between projected and actual investment earnings	-	(1,286,680)
Differences between employer's contributions and proportionate share of contributions	-	(122,895)
Changes in employer's proportion	61,539	(122)
Pension contributions made subsequent to measurement date	178,989	-
	$ 405,815	$ (1,409,697)

The $178,989 reported as deferred outflows of resources as of December 31, 2021, related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending December 31:	Amounts
2022	$ (256,946)
2023	(271,689)
2024	(298,665)
2025	(355,571)
2026	-
Thereafter	-
	$ (1,182,871)

NOTE 13 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Methods and Assumptions – The collective total pension liability for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The collective total pension liability was based on the following assumptions:

	Miscellaneous
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table(1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class (1)	New Strategic Allocation	Real Return Years 1-10(2)	Real Return Years 11+(3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEM (Continued)

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined.

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

		Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
2021	Employer's Net Pension Liability/(Asset) – Miscellaneous	$ 3,085,397	$ 1,473,949	$ 141,788

Expected Average Remaining Service Lifetime (EARSL) - The EARSL for PERF C for the measurement date ending June 30, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Summary of Changes of Benefits or Assumptions - Benefit Changes: There were no changes to benefit terms that applied to the Public Agency Pool.

Changes of Assumptions – In 2021, there were no changes.

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description – The District's postemployment healthcare plan provides health insurance coverage to its retired employees and their spouses. The medical insurance coverage is provided under the District's group policy plan for all of its employees. The qualifications for these benefits are the same as those under the District's Retirement Plan.

Funding Policy – The District currently funds the premiums for its OPEB plan under a *pay-as-you-go* (PAYG) system, where the current year premiums are paid as they are incurred. The District does not currently fund the OPEB plan. However, the District has provided a reserve of its cash and investments for this liability (see Note 2).

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Benefits provided – Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). 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. The District offers the same medical plans to retirees as to active employees, with the exceptions that dental and vision coverage are not District-paid, and that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

Employees become eligible to retire and receive District-paid healthcare benefits upon attainment of age 55 and 5 years of covered PERS service. Benefits are available for the lifetime of the retiree and spouse or surviving spouse (and dependent children up to the age of 26). The Districts' contribution on behalf of all eligible retirees and surviving spouses is equal to 100% of the retiree premium plus 50% of the dependent premium, in addition to an administrative fee of approximately 0.33% of total premium.

Employees covered by benefit terms – At December 31, 2021, the following employees were covered by the benefit terms:

	2021
Inactive employees of beneficiaries currently receiving benefit payments	16
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	35
	51

Total OPEB Liability – The Districts' Total OPEB liability of $5,152,056 was based on a roll-forward valuation date as of December 31, 2020 with a measurement date as of December 31, 2021.

Actuarial Assumptions – The Total OPEB liability in the December 31, 2021 actuarial valuation was determined was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	2.06% per year net of investment expense
Healthcare cost trend rates	4.00%
Retirees' share of cost	Retirees pay 50% of the cost for dependents if dependent coverage is elected. Dental and vision coverages are not paid for by the District.

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter. All actuarial assumptions used in measuring the Total OPEB Liability are described beginning on page 8 of the actuary report. 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.

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability (TOL)

	2021
Service cost at beginning of year	$ 256,970
Interest on TOL plus service cost, less 1/2 benefit payments	103,794
Changes of assumptions	33,381
Benefit payments, adjusted for implicit subsidy	(112,299)
Net change in Total OPEB Liability	281,846
Total OPEB Liability - beginning	4,870,210
Total OPEB Liability - ending	$ 5,156,056

Sensitivity of the Total OPEB Liability to changes in the discount rate – The following presents the Districts' Total OPEB Liability as of December 31, 2021 calculated using the discount rate of 2.06%, respectively, as well as what the Districts' Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower, or 1-percentage-point higher than the current rate:

	1% Decrease (1.06%)	Current Rate (2.06%)	1% Increase (3.06%)
Total OPEB Liability	$ 6,055,908	$ 5,156,056	$ 4,429,538

Sensitivity of the Total OPEB Liability to changes in the healthcare trend rates – The following presents the Districts' Total OPEB Liability as of December 31, 2021, calculated using the healthcare trend rate of 4.00%, as well as what the Districts' Total OPEB Liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rate.

	1% Decrease (3.0%)	Current Rates (4.0%)	1% Increase (5.0%)
Total OPEB Liability	$ 4,244,914	$ 5,156,056	$ 6,353,372

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

The current balances of collective deferred outflows of resources as of December 31, 2021 were as follows:

	Deferred Outflows of Resources
Difference between expected and actual experience	$ 311,320
Changes in assumptions	1,487,679
Total	$ 1,798,999

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

Year ended December 31,	Deferred Outflows of Resources
2022	$ 198,002
2023	198,002
2024	198,002
2025	198,002
2026	198,002
2027 and thereafter	808,989
	$ 1,798,999

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (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 Districts 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 Districts as of December 31, 2021, was as follows:

Total OPEB Liability at the beginning of the year (a)	$ 4,870,210
Total OPEB Liability at the end of the year (b)	5,156,056
Change in Total OPEB Liability [(b)-(a)]	285,846
Change in Deferred Outflows	164,621
Employer Contributions*	108,298
OPEB Expense	$ 558,765

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

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

Misstatements in the District's previously issued financial statements, have been corrected in the current year. Accounts payable and source of supply expense were understated for water conveyance fees payable to the California Department of Water Resources for the conveyance of Cross Valley Canal water into the District and for operation and maintenance fees for Success Dam. This resulted in the following changes to unrestricted net position as of December 31, 2020.

As previously reported, December 31, 2020	$ 24,226,553
Understatement of accounts payable	(670,990)
As restated, December 31, 2020	$ 23,555,563

There is no effect in the change in net position for the year ending December 31, 2021. The effect of the correction on changes in net position for the year ending December 31, 2020 has not been determined.

NOTE 16 – RECLASSIFICATION

Beginning cash and cash equivalents and payables due to other governments were reclassified to the custodial fund for the Success Reservoir Enlargement Project.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER TULE RIVER IRRIGATION DISTRICT
A COST SHARING MULTIPLE EMPLOYER
DEFINED BENEFIT PENSION PLAN
As of December 31, 2021
Last 10 Years [(1)]

Schedule of Proportionate Share of the Net Pension Liability - Miscellaneous Plan

	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15
Proportion of the net pension liability	.10482%	.08432%	.08203%	.07880%	.07885%	.06410%	.03211%
Proportionate share of the net pension liability	$ 1,473,949	$ 2,776,751	$ 2,557,073	$ 2,340,757	$ 2,421,351	$ 1,757,201	$ 1,998,198
Covered - employee payroll	$ 1,944,852	$ 1,914,713	$ 2,034,466	$ 1,819,931	$ 1,750,404	$ 1,628,052	$ 1,537,944
Proportionate share of the net pension liability as a percentage of covered-employee payroll	75.79%	145.02%	125.69%	128.62%	138.33%	107.93%	129.93%
Proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	87.92%	76.55%	77.46%	78.45%	75.08%	83.02%	80.82%

Schedule of Contributions - Miscellaneous Plan

	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15
Actuarially determined contribution	$ 228,926	$ 206,744	$ 210,945	$ 190,481	$ 185,614	$ 176,576	$ 136,973
Contributions in relation to the actuarially determined contributions	(228,926)	(206,744)	(210,945)	(190,481)	(185,614)	(176,576)	(136,973)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 1,944,852	$ 1,914,713	$ 2,034,466	$ 1,819,931	$ 1,750,404	$ 1,628,052	$ 1,537,944
Contributions as a percentage of covered employee payroll	11.77%	10.80%	10.37%	10.47%	10.60%	10.85%	8.91%

[(1)] Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

LOWER TULE RIVER IRRIGATION DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS *
As of December 31, 2021

The components of the Districts' Total OPEB Liability were as follows:

Total OPEB Liability (TOL)	**2021**	**2020**	**2019**	**2018**
Service cost at beginning of year	$ 256,970	$ 97,909	$ 95,057	$ 91,313
Interest on TOL plus service cost, less 1/2 benefit payments	103,794	88,890	100,535	94,643
Difference between expected and actual experience	-	371,799	8,683	-
Changes of assumptions	33,381	1,146,250	690,115	-
Benefit payments, adjusted for implicit subsidy	(112,299)	(53,927)	(55,565)	(45,079)
Net change in Total OPEB Liability	281,846	1,650,921	838,825	140,877
Total OPEB Liability - beginning	4,870,210	3,219,289	2,380,464	2,239,587
Total OPEB Liability - ending	$ 5,156,056	$ 4,870,210	$ 3,219,289	$ 2,380,464
Covered-employee payroll (2/3 of total for both Districts)	$ 1,633,480	$ 1,753,008	$ 1,866,921	$ 1,879,172
Total OPEB liability as a percentage of covered-employee payroll	315.65%	277.82%	172.43%	126.67%

* The amounts presented for the fiscal year were determined based on a measurement date that was one year prior to the year-end reporting date. 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.

LOWER TULE RIVER IRRIGATION DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS LIABILITY CONTRIBUTIONS
As of December 31, 2021

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

OTHER SUPPLEMENTARY INFORMATION

LOWER TULE RIVER IRRIGATION DISTRICT
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2021

Source of supply	
Water purchase and cost	$ 6,125,573
Transmission and distribution	
O&M Salaries and wages	948,478
Water system operation expenses	109,390
Repairs and maintenance	49,098
Small tools and supplies	68,982
Weed control	125,798
Fuel and oil	147,686
Equipment rental	11,393
Total transmission and distribution	1,460,825
General and Administration	
Salaries and wages	453,750
Payroll taxes	176,746
Telephone	17,142
Utilities	53,649
Assessments	15,581
Friant Water Authority membership dues	214,012
Dues and subscriptions	44,062
Travel and training	17,790
State Water Resource Control Board water rights	406,605
SGMA Implementation	205,986
Legal and professional costs	269,040
Engineering	23,647
Maintenance, equipment, building and yard	52,427
Office expense	27,320
Office supplies	16,304
Parts and supplies	112,790
Insurance	75,645
Directors' fees	12,000
Other post-employment benefits	538,765
Pension expense	231,788
Employee benefits	422,841
Other costs	36,198
Depreciation and amortization	716,466
Total general and administrative	4,160,554
Total operating expenses	$ 11,746,952

See independent auditors' report