

**SAUCELITO IRRIGATION DISTRICT**

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**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**December 31, 2021 and 2020**

## CONTENTS

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	<b><u>Pages</u></b>
<b>Independent Auditors' Report</b>	1-2
<b>Basic Financial Statements:</b>	
Statements of Net Position	3-4
Statements of Revenues, Expenses, and Changes in Net Assets	5
Statements of Cash Flows	6-7
Notes to Financial Statements	8-24
<b>Required Supplementary Information:</b>	
Schedules of Changes in Total OPEB Liability and Related Ratios	25
Schedules of Other Postemployment Benefits Liability Contributions	26
<b>Other Supplementary Information:</b>	
Schedules of Operating Expenses	27



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Saucelito Irrigation District

### **Opinion**

We have audited the accompanying financial statements of Saucelito Irrigation District (the District), which comprise the statements of net positions as of December 31, 2021 and 2020, and the related statements of revenues, expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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

### **Basis of Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibility**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of Saucelito Irrigation District's internal control. Accordingly, 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 Saucelito Irrigation District's ability to continue as a going concern for a reasonable period of time.

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net other postemployment benefits liability and related ratios on page 25, and the schedules of other postemployment benefit contributions on page 26 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. Management has omitted management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information.

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

*Cuttone & Mastro*

Fresno, California  
December 6, 2022

**SAUCELITO IRRIGATION DISTRICT**

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**STATEMENTS OF NET POSITION**

**December 31, 2021 and 2020**

**SAUCELITO IRRIGATION DISTRICT  
STATEMENTS OF NET POSITION  
December 31, 2021 and 2020**

<b><u>ASSETS</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Current Assets:		
Cash and cash equivalents	\$ 2,545,498	\$ 3,330,100
Receivables	629,895	531,663
Prepaid water	53,414	105,302
Prepaid expenses	<u>273,401</u>	<u>37,171</u>
Total Current Assets	<u>3,502,208</u>	<u>4,004,236</u>
 Capital Assets, net of accumulated depreciation	 <u>6,956,541</u>	 <u>7,026,094</u>
 Other Assets:		
Restricted cash	450,000	450,000
Water-in-storage	855,332	855,332
Investment in Deer Creek & Tule River Authority	58,843	59,682
Investment in Poplar Ditch Company stock	<u>330,300</u>	<u>330,300</u>
Total Other Assets	<u>1,694,475</u>	<u>1,695,314</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred outflows related to OPEB	<u>-</u>	<u>71,185</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>71,185</u>
 Total Assets and Deferred Outflows of Resources	 \$ <u>12,153,224</u>	 \$ <u>12,796,829</u>

See Accompanying Notes to Financial Statements

**SAUCELITO IRRIGATION DISTRICT  
STATEMENTS OF NET POSITION  
December 31, 2021 and 2020**

<b><u>LIABILITIES</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Current Liabilities:		
Accounts payable	\$ 47,204	\$ 66,024
Interest payable	45,891	49,302
Accrued liabilities	37,515	37,666
Water deposits and advance payments received	489,393	531,180
Current portion of long-term debt	<u>478,962</u>	<u>448,525</u>
Total Current Liabilities	<u>1,098,965</u>	<u>1,132,697</u>
 Long-Term Debt:		
Note payable, net of current portion	4,092,585	4,427,035
Contract payable, net of current portion	-	32,000
Total OPEB liability, net of current portion	<u>2,202,592</u>	<u>2,186,019</u>
Total Long-Term Debt	<u>6,295,177</u>	<u>6,645,054</u>
 Total Liabilities	 <u>7,394,142</u>	 <u>7,777,751</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred assessment revenue	1,676,935	1,735,767
Deferred inflows related to OPEB	<u>-</u>	<u>373</u>
Total Deferred Inflows of Resources	<u>1,676,935</u>	<u>1,736,140</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>9,071,077</u>	 <u>9,513,891</u>
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	2,529,662	2,274,090
Restricted	450,000	450,000
Unrestricted	<u>102,485</u>	<u>558,848</u>
Total Net Position	<u>3,082,147</u>	<u>3,282,938</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 12,153,224</u>	 <u>\$ 12,796,829</u>

See Accompanying Notes to Financial Statements

**SAUCELITO IRRIGATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For The Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Water sales – Irrigation	\$ 583,402	\$ 1,380,428
Assessments	1,736,075	1,737,135
Standby charges	<u>193,948</u>	<u>195,123</u>
Total Operating Revenue	<u>2,513,425</u>	<u>3,312,686</u>
<b>OPERATING EXPENSES</b>		
Source of supply	1,642,852	2,061,503
Transmission and distribution	112,572	167,297
Administrative and general	<u>868,550</u>	<u>1,212,574</u>
Total Operating Expenses	<u>2,623,974</u>	<u>3,441,374</u>
Total Income (Loss) from Operations	<u>(110,549)</u>	<u>(128,688)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and investment income	8,569	36,558
Loss on investment in Joint Power Authority	(839)	(197)
Certificate of participation interest expense	(112,767)	(139,379)
Other non-operating revenue	<u>14,795</u>	<u>26,692</u>
Total Non-Operating Revenue (Expenses)	<u>(90,242)</u>	<u>(76,326)</u>
<b>CHANGE IN NET POSITION</b>	(200,791)	(205,014)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>3,282,938</u>	<u>3,487,952</u>
<b>NET POSITION, END OF YEAR</b>	\$ <u>3,082,147</u>	\$ <u>3,282,938</u>

See Accompanying Notes to Financial Statements



**SAUCELITO IRRIGATION DISTRICT**

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**STATEMENTS OF CASH FLOWS**

**December 31, 2021 and 2020**

**SAUCELITO IRRIGATION DISTRICT  
STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,314,574	\$ 3,420,000
Cash paid to suppliers and vendors	(2,461,127)	(2,943,932)
Cash paid to employees	(179,007)	(200,474)
Cash received from other operating and non-operating revenue	<u>14,795</u>	<u>26,692</u>
Net cash provided (used) by operating activities	<u>(310,765)</u>	<u>302,286</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Issuance of note payable	-	5,221,027
Certificate of participation payoff	-	(5,475,000)
Principal payment on 2020 certificate of participation	(325,125)	(469,023)
Interest paid on long-term debt	(116,178)	(227,489)
Capital expenditures	(9,103)	(9,505)
Proceeds from the sale of capital assets	<u>-</u>	<u>-</u>
Net cash (used) by capital and related financing activities	<u>(450,406)</u>	<u>(959,990)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Principal payment of contract payable	<u>(32,000)</u>	<u>(32,000)</u>
Net cash (used) by noncapital financing activities	<u>(32,000)</u>	<u>(32,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	<u>8,569</u>	<u>49,494</u>
Net cash provided by investing activities	<u>8,569</u>	<u>49,494</u>
Net increase (decrease) in cash and cash equivalents	(784,602)	(640,210)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,780,100</u>	<u>4,420,310</u>
<b>CASH AND CASH EQUIVALENTS, ENDING OF YEAR</b>	<u>\$ 2,995,498</u>	<u>\$ 3,780,100</u>

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

Recognition of the District's proportionate share of Deer Creek & Tule River Authority's equity was recorded as a (loss) of \$(401) and \$(635) as of December 31, 2021 and 2020, respectively.

See Accompanying Notes to Financial Statements

**SAUCELITO IRRIGATION DISTRICT  
STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Income (loss) from operations	\$ (110,549)	\$ (128,688)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activity:		
Depreciation	78,656	85,288
Other Non-operating revenue	14,795	26,692
(Increase) Decrease in:		
Receivables	(98,232)	60,122
Prepaid water	51,888	(39,582)
Prepaid expenses	(236,230)	38,833
Deferred outflows related to OPEB	71,185	154,114
Increase (Decrease) in:		
Accounts payable	(18,820)	49,920
Accrued liabilities	(151)	(10,399)
Water deposits and advance payments received	(41,787)	47,191
Total OPEB liability	37,685	19,602
Deferred assessment revenue	(58,832)	1
Deferred inflows related to OPEB	<u>(373)</u>	<u>(808)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (310,765)</u>	<u>\$ 302,286</u>

See Accompanying Notes to Financial Statements

**SAUCELITO IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

**Description of Operations:** Saucelito Irrigation District ("the District") is a special district formed in 1941 under the California Water Code and is located in Tulare County. The primary function of the District is to divert and distribute water to agricultural lands.

**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 financial statements must present the District (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

**Basis of Presentation and Accounting:** The District follows the provisions of the Governmental Accounting Standards Board Statement Nos. 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."

Unrestricted net position includes amounts that the District's Board designates as for specific purposes. While the Board designates these funds, they are not restricted and the Board can utilize such funds for any purpose. 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 accounts for its operations as an enterprise fund. 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.

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

**SAUCELITO IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

**Cash and Cash Equivalents:** For the purposes of the statement of cash flow, the District considers cash in checking, cash in savings, investments in the State Treasurer’s Local Agency Investment Fund and all other highly liquid investments with original maturities of three months or less at date of purchase to be cash and cash equivalents. This includes cash equivalents included in restricted assets.

**Uses 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.

**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 Receivables:** Accounts 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.

**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 assessment is classified as deferred income.

The District’s primary assessment is in accordance with a schedule based on land characteristic classifications of \$1,000 per acre. Total valuation under this formula was \$19,381,050. The assessment rate was set as \$86.56 per acre for 2021 and \$89.56 per acre for 2020, resulting in a total assessment of \$1,676,935 for 2021 and \$1,735,767 for 2020.

**Water Exchange Accounts:** The District engages in water transfers and exchanges with several entities. The amount of water exchange accounts is recorded at the price the District is currently paying for USBR Class 1 water. No water exchange balances were outstanding as of December 31, 2021 and 2020.

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

**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.

**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

**Capital Assets:** The straight-line method has been used to determine depreciation based on the following estimated useful lives:

Distribution System	7-50 years
Buildings	10-50 years
Equipment	7-25 years
Vehicles	7 years

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.

Substantially all 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, liability coverage, and worker's compensation coverage.

**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 Authority also operates and maintains the Friant-Kern canal.

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

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash & cash equivalents, as of December 31, 2021 and 2020, are reported in the accompanying financial statements as follows:

	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 500	\$ 500
Cash in bank	612,168	795,277
Money Market Rate Stabilization Fund	450,323	450,000
Local Agency Investment Fund	<u>1,932,507</u>	<u>2,534,323</u>
	2,995,498	3,780,100
Less: Restricted cash	<u>450,000</u>	<u>450,000</u>
Unrestricted cash and cash equivalents	<u>\$ 2,545,498</u>	<u>\$ 3,330,100</u>

**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 3 – CASH AND CASH EQUIVALENTS, continued:**

**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. The California Government code requires that a financial institution secure 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 and 2020, the bank balances with Bank of the Sierra were \$3,467 and \$1,260,344, respectively. Of these balances, \$250,000 was covered by the Federal depository insurance. The uninsured but collateralized amounts were \$0 and \$1,010,344 at December 31, 2021 and 2020, respectively.

At December 31, 2021, the bank balance with Suncrest Bank was \$1,293,355. Of this balance, \$250,000 was covered by the Federal depository insurance. The uninsured but collateralized amounts was \$1,043,355 at December 31, 2021.

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

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

**Concentration of credit risk:** The policy of the District is to diversify the fund so that the failure of any one issuer would not unduly harm the District's cash flow.

**Interest rate risk:** Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The policy of the District is to limit the weighted average maturity of the District's fund to five years or less.

**SAUCELITO IRRIGATION DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2021 and 2020**

**NOTE 3 – CASH AND CASH EQUIVALENTS, continued:**

**Credit risk:** Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The policy of the District is to invest in only in investments that are rated AA or greater (Moody's rating).

**Investment in State Investment Pool:** The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District may withdraw monies upon one-day-notice. The average monthly effective yield for December 31, 2021 and 2020 were 0.21% and 0.54%, respectively. The District's investment in the LAIF 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 4 – RESTRICTED CASH**

Restricted cash represent allocations of cash and cash equivalents pursuant to the issuance of Certificates of Participation as follows:

	<u>2021</u>	<u>2020</u>
Rate Stabilization Fund	\$ <u>450,000</u>	\$ <u>450,000</u>
	\$ <u>450,000</u>	\$ <u>450,000</u>

Under the 2020 Installment Purchase Agreements, the District has covenanted to maintain the Rate Stabilization Fund at \$450,000 separate from other funds so long as any installment payments remain unpaid.

**NOTE 5 – RECEIVABLES**

The total receivables at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Accounts	\$ 6,093	\$ 2,988
Assessments and standby charges	620,430	525,303
Other	<u>3,372</u>	<u>3,372</u>
	\$ <u>629,895</u>	\$ <u>531,663</u>



**SAUCELITO IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 6 – CAPITAL ASSETS**

The following is a summary of changes in the capital assets during the years ended December 31, 2021 and 2020.

	Balance			Balance
	<u>12/31/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/21</u>
Capital assets not being depreciated				
Land and land rights	\$ 2,657	\$ -	\$ -	\$ 2,657
Perpetual water supply contract	6,704,835	-	-	6,704,835
Construction in progress	<u>4,982</u>	<u>-</u>	<u>-</u>	<u>4,982</u>
Totals	<u>6,712,474</u>	<u>-</u>	<u>-</u>	<u>6,712,474</u>
Capital assets being depreciated				
Distribution systems	4,200,959	7,500	-	4,208,459
Buildings	59,090	-	-	59,090
Vehicles	64,499	-	-	64,499
Equipment	<u>148,233</u>	<u>1,603</u>	<u>(5,884)</u>	<u>143,952</u>
Totals	4,472,781	\$ <u>9,103</u>	\$ <u>(5,884)</u>	4,476,000
Less Accumulated depreciation	<u>(4,159,161)</u>	\$ <u>(78,656)</u>	\$ <u>5,884</u>	<u>(4,231,933)</u>
Total capital assets being depreciated	<u>313,620</u>			<u>244,067</u>
Net Book Value	\$ <u>7,026,094</u>			\$ <u>6,956,541</u>

	Balance			Balance
	<u>12/31/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/20</u>
Capital assets not being depreciated				
Land and land rights	\$ 2,657	\$ -	\$ -	\$ 2,657
Perpetual water supply contract	6,704,835	-	-	6,704,835
Construction in progress	<u>2,522</u>	<u>2,460</u>	<u>-</u>	<u>4,982</u>
Totals	<u>6,710,014</u>	<u>2,460</u>	<u>-</u>	<u>6,712,474</u>
Capital assets being depreciated				
Distribution systems	4,200,959	-	-	4,200,959
Buildings	59,090	-	-	59,090
Vehicles	64,499	-	-	64,499
Equipment	<u>141,188</u>	<u>7,045</u>	<u>-</u>	<u>148,233</u>
Totals	4,465,736	\$ <u>7,045</u>	\$ <u>-</u>	4,472,781
Less Accumulated depreciation	<u>(4,073,873)</u>	\$ <u>(85,288)</u>	\$ <u>-</u>	<u>(4,159,161)</u>
Total capital assets being depreciated	<u>391,863</u>			<u>313,620</u>
Net Book Value	\$ <u>7,101,877</u>			\$ <u>7,026,094</u>

**NOTE 7 – INVESTMENT IN JOINT POWER AUTHORITIES**

The District participates in a joint power authority (JPA) organized to develop hydroelectric power for use by public agencies and for other functions related to the purpose of the District. The JPA is not a component unit of the District, however it is considered a joint venture defined by GASB No. 14.

**Deer Creek & Tule River Authority**

The Deer Creek & Tule River Authority (DCTRA) is comprised of eight special districts to optimize surface water supplies in the Tule River area. The District's share of the loss from DCTRA for the years ended December 31, 2021 and 2020 are \$(401) and \$(635), respectively.

**SAUCELITO IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 7 – INVESTMENT IN JOINT POWER AUTHORITIES (continued)**

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

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

**NOTE 8 – INVESTMENT IN POPLAR DITCH COMPANY**

The District has acquired shares in Poplar Ditch Company in order to expand the amount of water supply available to the landowners within the boundaries. The total investment of \$330,300 is reported on the Statement of Net Position at historical cost. Management does not consider the investment to be impaired. The amount of water received will vary from year to year. The District holds twelve shares of capital stock, with each share granting the District the right to receive 55-acre feet of water per year.

**NOTE 9 – WATER IN STORAGE**

The District, as a member of Deer Creek and Tule River Authority (DCTRA), has entered into a land use agreement with Terra Bella Irrigation District (TBID). The terms of this agreement allow DCTRA to use land belonging to TBID for groundwater recharge. In exchange for the use of this land, the District and certain other members of DCTRA will make sufficient water available to TBID to meet the demands of its members and customers in every year when such demand cannot be met by TBID's surface and groundwater supplies due to a reduction in the available contracted Central Valley Project surface water supply.

The District has determined that circumstances exist whereby it would be unable to fulfill its obligation under the above land use agreement from its available CVP supply. In order to assist the District in fulfilling this obligation, it has entered into a separate agreement with TBID and Lower Tule River Irrigation District (LTRID). Under the terms of this agreement, TBID agrees to sell water to the District when prescribed water supply conditions are met. The District will deliver the water to LTRID for in-district use and groundwater recharge. In return, LTRID agrees to deliver water to TBID in such quantities as requested by TBID in satisfaction of the District's obligation, not to exceed the amount of water then available for return pursuant to provisions of the agreement. Water purchased by the District under this agreement is recorded as Water in Storage until it is delivered to TBID under the agreement.

**SAUCELITO IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 10 – LONG-TERM DEBT**

a. Note Payable

In January 2020, the District issued a loan from BBVA USA in order to close the 2010 certificates of participation. The loan was transferred to PNC Bank in October 2021 after PNC Bank’s acquisition of BBVA USA. The original amount of the loan is \$5,221,027, and it is payable in semi-annual payments on February 1 and August 1 each year beginning February 1, 2020 for a period of 13 years. Under the new loan, the installment payments are payable by the District from (i) the proceeds of a standby charge and assessment levied on all irrigation lands within the District deposited with the Trustee on a monthly basis; and (ii) in the event that such proceeds are insufficient to pay all installment payments, from net revenues, consisting of revenues of the District’s water system and certain other revenues of the District (not including the standby charges or the assessment) remaining after payment of operations and maintenance costs, and from amounts in a Rate Stabilization Fund created by the District. Under the agreement, the District has covenanted not to incur additional obligations payable from the standby charge or the assessment other than refunding obligations and not to incur any obligations payable from net revenues senior to the installment payments.

Under the 2020 Installment Purchase Agreement, the District may at any time execute any contract or issue any Bonds, provided that the following conditions are met: (1) the Net Revenues for either the most recent audited fiscal year or twelve consecutive of the last eighteen months, in each case preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, shall have produced a sum equal to at least 125% of the debt service for such fiscal year or twelve month period (less, in the case of installment payments, the proceeds of the standby charge and/or assessment applied to the payment of installment payments for such fiscal year or twelve month period), (2) the Net Revenues shall have produced a sum equal to at least 125% of the debt Service, plus the debt Service which would have accrued on any new Contracts or Bonds issued since the end of the fiscal year or twelve month period assuming such Contracts or Bonds had been issued at the beginning of such fiscal year, (3) estimated Net revenues for the then current fiscal year and for each fiscal year thereafter including the first complete fiscal year after the latest date of operation of any uncompleted parity project, shall produce a sum equal to at least 125% of the estimated debt service (less, in the case of installment payments, the proceeds of the standby charge and/or assessment applied to the payment of installment payments for such fiscal year or twelve month period) after giving effect to the execution of all contracts and issuance of bonds estimated to be required to pay the costs of completing all uncompleted parity projects and (4) total debt service will not be increased in any fiscal year in an amount in excess of 10%.

Debt service requirements on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 334,294	\$ 108,129	\$ 442,423
2023	342,469	99,798	442,267
2024	352,761	91,221	443,982
2025	362,556	82,359	444,915
2026	371,841	73,288	445,129
2027 – 2031	2,011,110	221,504	2,232,614
2032 - 2033	<u>651,848</u>	<u>16,308</u>	<u>668,156</u>
Total	<u>\$ 4,426,879</u>	<u>\$ 692,607</u>	<u>\$ 5,119,486</u>

**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 10 – LONG-TERM DEBT, continued:**

b. Contract payable

In 2017, the District entered into a contract to purchase two shares of Poplar Ditch Company stock for a purchase price of \$160,000. The Contract is without interest. The contract specifies that the District will pay the seller \$32,000 in five annual installments. The first installment was paid in January 2018.

Debt service requirements on the Contract Payable are as follows:

2022	<b><u>Principal</u></b> \$ <u>32,000</u>
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A summary of the District's long-term liabilities is as follows:

	<b><u>Beginning Balance 12/31/20</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance 12/31/21</u></b>	<b><u>Current Portion</u></b>
Note Payable	\$ 4,752,004	\$ -	\$ 325,125	\$ 4,426,879	\$ 334,294
Contract Payable	64,000	-	32,000	32,000	32,000
Total OPEB Liability	<u>2,277,575</u>	<u>129,241</u>	<u>91,556</u>	<u>2,315,260</u>	<u>112,668</u>
Total	<u>\$ 7,093,579</u>	<u>\$ 129,241</u>	<u>\$ 448,681</u>	<u>\$ 6,774,139</u>	<u>\$ 478,962</u>

	<b><u>Beginning Balance 12/31/19</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance 12/31/20</u></b>	<b><u>Current Portion</u></b>
Note Payable	\$ -	\$ 5,221,027	\$ 469,023	\$ 4,752,004	\$ 324,969
Certificates of Participation	5,475,000	-	5,475,000	-	-
Contract Payable	96,000	-	32,000	64,000	32,000
Total OPEB Liability	<u>2,257,973</u>	<u>68,224</u>	<u>48,622</u>	<u>2,277,575</u>	<u>91,556</u>
Total	<u>\$ 7,828,973</u>	<u>\$ 5,289,251</u>	<u>\$ 6,024,645</u>	<u>\$ 7,093,579</u>	<u>\$ 448,525</u>

The combined debt service requirements for the Notes Payable and Contract Payable are as follows:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2022	\$ 366,294	\$ 108,129	\$ 474,423
2023	342,469	99,798	442,267
2024	352,761	91,221	443,982
2025	362,556	82,359	444,915
2026	371,841	73,288	445,129
2027 - 2031	2,011,110	221,504	2,232,614
2032 - 2033	<u>651,848</u>	<u>16,308</u>	<u>668,156</u>
Total	<u>\$ 4,458,879</u>	<u>\$ 692,607</u>	<u>\$ 5,151,486</u>

**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 11 – DEFINED COMPENSATION PENSION PLAN**

The District contributes to the Saucelito Irrigation District Employees' Money Purchase Pension Plan, a defined contribution pension plan established for the benefit of its employees. The Plan is a governmental plan, as defined in Section 414(d) of the Internal Revenue Code, and covers all permanent employees of the District who have completed six months of service and are age twenty-one or older. Each year, the District contributes 4 to 12 percent of employees' compensation to the Plan. Employees contribute 2 to 6 percent of their compensation to the Plan depending on their years of service. Participants are vested immediately in their contributions, plus actual earnings thereon. The portion of the participants' accounts attributable to the District's profit-sharing contributions and the employer's qualified non-elective contributions, plus actual earnings thereon, become vested based on years of continuous service. A participant is 100% vested after ten years of credited service. For the years ended December 31, 2021 and 2020, the District recognized pension expense of \$14,449 and \$21,727, respectively.

**NOTE 12 – 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, directors and their spouses. The medical insurance coverage is provided under the District's group policy plan for all of its employees.

*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.

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

The District offers the same medical plans to retirees as to active employees and directors, subject to the following eligibility provisions.

Directors must have taken office prior to January 1, 1995, have attained age 50 and completed 12 years of District service at the time of retirement. Directors first taking office on or after that date are not eligible for retiree health benefits.

Employees hired prior to January 1, 2004 must have attained age 50 and completed 12 years of District service. Employees hired on or after that date must have attained age 60 and completed 20 years of District services.

The District's contribution on behalf of all eligible retirees and surviving spouses is equal to 100% of the medical, dental and vision premiums for coverage under the ACWA JPIA.

*Employees covered by benefit terms.* At December 31, 2021 and 2020, the following employees were covered by the benefit terms:

	<u>2021</u>	<u>2020</u>
Inactive employees of beneficiaries currently receiving benefit payments	6	6
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees and directors	<u>4</u>	<u>4</u>
	<u>10</u>	<u>10</u>

**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

***Total OPEB Liability***

**2021**

The Districts' Total OPEB Liability of \$2,315,260 was based on an actuarial valuation date of December 31, 2020 and a measurement date of December 31, 2021. GASB 74 and 75 require annual measurements of liability with a full actuarial valuation required every two years. The 2021 OPEB liability is based on a roll-forward valuation based on census data provided to the actuary as of May 2021 for the December 31, 2020 full valuation.

*Actuarial Assumptions.* The Total OPEB Liability was determined using an actuarial valuation as of December 31, 2020, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	2.06%, net of investment expense, including inflation
Healthcare cost trend rates	4.00% per year, 3% per year for dental and vision
Retirees' share of cost	The District pays the entire cost of retiree plus one dependent. No retiree contributions have been anticipated in the future.

The discount rate was based on the Bond Buyer 20 Index, which fell from 2.10% in 2020 to 2.06% in 2021.

Mortality rates were based on the 2017 CalPERS Mortality Tables for Miscellaneous and Schools Employees.

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, 2021. The actuarial cost method used for measuring the Total OPEB Liability for purposes of GASB 75 was Entry Age, Level Percent of Pay.

**2020**

The Districts' Total OPEB Liability of \$2,277,575 was based on an actuarial valuation and measurement date of December 31, 2020.

*Actuarial Assumptions.* The Total OPEB Liability was determined using an actuarial valuation as of December 31, 2020, using the following actuarial assumptions:

Inflation	2.75%
Salary increases	2.75%, average, including inflation
Discount rate	2.10%, net of investment expense, including inflation
Healthcare cost trend rates	4.00% per year, 3% per year for dental and vision
Retirees' share of cost	The District pays the entire cost of retiree plus one dependent. No retiree contributions have been anticipated in the future.

**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

The discount rate was based on the Bond Buyer 20 Index, which fell from 2.74% in 2019 to 2.10% in 2020.

Mortality rates were based on the 2017 CalPERS Mortality Tables for Miscellaneous and Schools Employees.

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.

**Changes in the Total OPEB Liability (TOL)**

	<u>2021</u>	<u>2020</u>
Service cost at beginning of year	\$ 70,059	\$ 14,661
Interest on TOL plus service cost, less 1/2 benefit payments	47,603	61,403
Difference between expected and actual experience	-	(204,497)
Changes of assumptions	11,579	196,657
Benefit payments, adjusted for implicit subsidy	<u>(91,556)</u>	<u>(48,622)</u>
<b>Net change in Total OPEB Liability</b>	<b>37,685</b>	<b>19,602</b>
<b>Total OPEB Liability - beginning</b>	<b><u>2,277,575</u></b>	<b><u>2,257,973</u></b>
<b>Total OPEB Liability - ending</b>	<b><u>\$ 2,315,260</u></b>	<b><u>\$ 2,277,575</u></b>

**Sensitivity of the Total OPEB Liability to changes in the discount rate** - The following presents the District's Total OPEB Liability as of December 31, 2021 and 2020 calculated using the discount rate of 2.06% and 2.10% respectively, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>As of December 31, 2021</u>		
	<u>1% Decrease (1.06%)</u>	<u>Current Rate (2.06%)</u>	<u>1% Increase (2.06%)</u>
Total OPEB Liability	\$ 2,616,634	\$ 2,315,260	\$ 2,065,129

  

	<u>As of December 31, 2020</u>		
	<u>1% Decrease (1.10%)</u>	<u>Current Rate (2.10%)</u>	<u>1% Increase (3.10%)</u>
Total OPEB Liability	\$ 2,574,816	\$ 2,277,575	\$ 2,031,276

**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

**Sensitivity of the Total OPEB Liability to changes in the healthcare trend rates** - The following presents the District's Total OPEB Liability as of December 31, 2021 and 2020, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower or 1 percentage point higher.

	<b>As of December 31, 2021</b>		
	<u>1% Decrease (3.0%)</u>	<u>Current Rates (4.0%)</u>	<u>1% Increase (5.0%)</u>
Total OPEB Liability	\$ 2,035,279	\$ 2,315,260	\$2,653,014

	<b>As of December 31, 2020</b>		
	<u>1% Decrease (3.0%)</u>	<u>Current Rates (4.0%)</u>	<u>1% Increase (5.0%)</u>
Total OPEB Liability	\$ 2,008,480	\$ 2,277,575	\$2,601,062

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

There are no deferred outflows and deferred inflows of resources as of December 31, 2021.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 373
Changes in assumptions	71,185	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
<b>Total</b>	<b>\$ <u>71,185</u></b>	<b>\$ <u>373</u></b>

The average of expected remaining active and inactive service lives was 1.0 as of the December 31, 2020 measurement date.

Amounts reported as deferred outflows of resources as of December 31, 2020 will be recognized in OPEB expenses as follows:

Year ended December 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 71,185	\$ 373
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026 and thereafter	-	-
	<b>\$ <u>71,185</u></b>	<b>\$ <u>373</u></b>



**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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 District as of December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Total OPEB Liability as of prior year	\$ 2,277,575	\$ 2,257,973
Total OPEB Liability as of current year	<u>2,315,260</u>	<u>2,277,575</u>
Change in Total OPEB Liability [(b)-(a)]	37,685	19,602
Change in Deferred Outflows	71,185	154,114
Change in Deferred Inflows	(373)	(808)
Employer Contributions*	<u>91,556</u>	<u>48,622</u>
OPEB Expense	\$ <u>200,053</u>	\$ <u>221,530</u>

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

**NOTE 13 - NET POSITION**

As mentioned earlier, the business type activities financial statements utilize a net position presentation. The District's net position is categorized as net investment in capital assets (net of related debt) and unrestricted.

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. As of December 31, 2021 and 2020, the net investment in capital assets amounted to \$2,529,662 and \$2,274,090, respectively.

Restricted Net Position – The Trust Agreement in the 2020 Installment Purchase Agreement relative to the Notes Payable requires a Rate Stabilization Fund restricted to the payments of the Certificates of Participation. The total restricted balance is \$450,000 at December 31, 2021 and 2020.

Unrestricted Net Position - This category represents net position of the District that do not meet the definition of "restricted" consisting of restraints placed on net position use through external constraints imposed by creditors, or net investments in capital assets. As of December 31, 2021 and 2020, the unrestricted net position amounted to \$102,485 and \$558,848, respectively.

**SAUCELITO IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 14 - 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 21,200-acre feet of Class I water and up to 32,800-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 price of Class 1 and Class 2 water is established annually to pay the costs of Bureau operations and maintenance, water marketing, and environmental restoration and Friant Surcharge fees established by the CVPIA. A factor in determining the cost of water is the operating and maintenance deficit or surplus the District has with the USBR. The District had a net operating and maintenance surplus for Class 1 and Class 2 water of \$260,463, as of September 30, 2021. In addition, as of September 30, 2021, the District had a net capital and construction cost surplus for Class 1 and Class 2 water of \$9,929. The construction costs will continue to accumulate annually and be due by 2030. The irrigation water rate in effect at December 31, 2021 was \$43.76 per acre-foot for Class I and \$27.17 per acre-foot for Class II water.

Joint Management Agreement

On July 24, 2006, Saucelito Irrigation District, Porterville Irrigation District, and Terra Bella Irrigation District entered into an agreement wherein, the Districts established a "Joint Manager" that would report to each of the Districts. Under the terms of the agreement, the Joint Manager is an employee of Terra Bella Irrigation District. Salary, benefits and incidental costs and expenses of the Joint Manager are to be shared equally by the three District's. This agreement became effective September 1, 2006: Saucelito Irrigation District's portion of contract management services paid to Terra Bella Irrigation District for the years ended December 31, 2021 and 2020 were \$112,529 and \$102,996, respectively.

Joint-Powers Authority-Friant Water Authority

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

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, second and third payments made by the FWA were \$49,198, \$26,369 and \$18,767, all of which were paid by the District in 2021.

**SAUCELITO IRRIGATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 14 - COMMITMENTS AND CONTINGENCIES, continued**

SLDMWA JPP Rewind Project, continued

FWA's estimated payment schedule is as follows:

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

Friant-Kern Canal Capacity Correction

As a Friant contractor, the District has a potential future obligation to the Friant Water Authority for its proportion of project cost for the Friant-Kern Canal Capacity Correction Project. This project is to repair a 35-mile stretch of the canal that has subsided due to groundwater pumping during the last drought. The Project is to be constructed in phases, with Phase 1 expected to begin in the 4th quarter of 2021. The estimated cost of Phase 1 is \$263 million with funding coming from both Federal and non-Federal sources. For funding from non-Federal sources, the Authority has established a project cost-sharing amount of \$50 million to be covered by all of the Friant-Kern Canal Contractors. The District's share is based on its current operations, maintenance and repair (OM&R) allocation under the existing OM&R allocation policy. The canal repairs should not have an effect on the District's water deliveries.

The current estimated total share of the District's obligation is \$1,297,479. The District made payments totaling \$398,553 (of which \$206,786 was recorded as a prepaid expenses as of December 31, 2021), and the remaining estimated funding request schedule from the FWA is as follows:

<u>Invoice Date</u>	<u>Payment Due Date</u>	<u>Amount</u>
February 16, 2022	April 1, 2022	\$ 197,314
May 18, 2022	July 1, 2022	200,785
August 17, 2022	October 3, 2022	324,370
November 16, 2022	January 3, 2023	<u>176,457</u>
		<u>\$ 898,926</u>

Other Cases

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

**SAUCELITO IRRIGATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 15 - SUBSEQUENT EVENTS**

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these financial statements. These subsequent events have been evaluated through December 6, 2022, which is the date the financial statements were issued.

In February 2022, the District agreed to purchase Porterville Irrigation District's 10.32% ownership in the Deer Creek & Tule River Authority. In May 2022, the District paid \$192,984 for the additional percentage of ownership bringing their total ownership in Deer Creek & Tule River Authority to 19.97%.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SAUCILITO IRRIGATION DISTRICT**  
**SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS \***  
**December 31, 2021 and 2020**

The components of the District's Total OPEB Liability as of December 31, 2021 and 2020 were as follows:

<b>Total OPEB Liability (TOL)</b>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Service cost at beginning of year	\$ 70,059	\$ 14,661	\$ 14,234	\$ 13,673
Interest on TOL plus service cost, less 1/2 benefit payments	47,603	61,403	74,984	73,425
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(204,497)	(1,989)	(-)
Changes of assumptions	11,579	196,657	379,413	-
Benefit payments, adjusted for implicit subsidy	<u>(91,556)</u>	<u>(48,622)</u>	<u>(48,622)</u>	<u>(48,675)</u>
<b>Net change in Total OPEB Liability</b>	37,685	19,602	418,020	38,423
<b>Total OPEB Liability - beginning</b>	<u>2,277,575</u>	<u>2,257,973</u>	<u>1,839,953</u>	<u>1,801,530</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 2,315,260</u>	<u>\$ 2,277,575</u>	<u>\$ 2,257,973</u>	<u>\$ 1,839,953</u>
Covered-employee payroll	\$191,001	\$251,670	\$212,247	\$213,332
Total OPEB liability as a percentage of covered-employee payroll	1,212.17%	904.98%	1,063.84%	862.48%

\* The amounts presented for the fiscal year 2021 and 2020 were determined based on a measurement date that was the same as the year-end reporting date. However, the amounts presented for fiscal years 2019 and 2018 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.

See independent auditors' report

**SAUCILITO IRRIGATION DISTRICT**  
**SCHEDULES OF OTHER POSTEMPLOYMENT BENEFITS LIABILITY CONTRIBUTIONS**  
**December 31, 2021 and 2020**

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

See independent auditors' report

**OTHER SUPPLEMENTARY INFORMATION**



**SAUCELITO IRRIGATION DISTRICT  
SCHEDULES OF OPERATING EXPENSES  
For The Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Source of supply</b>		
Water purchases and costs	\$ 1,544,583	\$ 1,950,906
Power for pumping	34,810	51,830
State water right fees	<u>63,459</u>	<u>58,767</u>
Total source of supply	<u>1,642,852</u>	<u>2,061,503</u>
<b>Transmission and distribution</b>		
Employee benefits	23,866	45,815
Engineering	-	-
Fuel and oil	3,229	3,980
Insurance	10,821	1,701
Miscellaneous	-	-
Payroll taxes	3,487	5,264
Repairs and maintenance	18,975	8,896
Salaries and wages	45,577	91,762
Supplies	1,933	2,387
Utilities	1,279	1,014
Weed and insect control	741	918
Workman's compensation insurance	<u>2,664</u>	<u>5,560</u>
Total transmission and distribution	<u>112,572</u>	<u>167,297</u>
<b>Administrative and general</b>		
Communications	3,788	3,239
Contracted management services	112,529	102,996
Director fees	621	-
Dues and assessments	76,934	123,530
Employee benefits	56,328	56,604
Engineering	21,593	9,667
Groundwater sustainability agency	115	174,909
Legal and professional	93,121	147,778
Medical insurance - directors	76,196	92,863
Medical insurance - retirees	57,872	40,337
Miscellaneous	635	12,333
Office expense	4,543	7,161
Other postemployment benefit cost	108,497	172,908
Payroll taxes	11,331	14,028
Repairs and maintenance	13,087	13,189
Salaries and wages	146,764	149,510
Travel	1,984	2,139
Utilities	2,983	3,771
Workman's compensation insurance	973	324
Depreciation and amortization	<u>78,656</u>	<u>85,288</u>
Total administrative and general	<u>868,550</u>	<u>1,212,574</u>
 Total Operating Expenses	 <u>\$ 2,623,974</u>	 <u>\$ 3,441,374</u>