

STONE CORRAL IRRIGATION DISTRICT

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stone Corral Irrigation District:

Opinion

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

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

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility

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

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

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

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

Other-Matters

The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



Fresno, California
March 14, 2022

STONE CORRAL IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,850,858	\$ 2,110,196
Receivables	322,882	524,147
Current portion of loan receivable from EKGSA	24,210	24,210
Prepaid water	21,065	51,150
Prepaid expenses	<u>111,412</u>	<u>30,164</u>
Total Current Assets	3,330,427	2,739,867
Loan receivable from EKGSA, net of current portion	72,628	96,838
Capital assets, net of accumulated depreciation	2,438,175	2,469,257
Investments in power authorities	<u>32,665</u>	<u>31,549</u>
Total Assets	\$ <u>5,873,895</u>	\$ <u>5,337,511</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts and payroll taxes payable	\$ 18,942	\$ 67,074
Compensated absences	6,020	4,713
Water transfer liability	<u>231,053</u>	<u>203,472</u>
Total Current Liabilities	<u>256,015</u>	<u>275,259</u>
Total Liabilities	<u>256,015</u>	<u>275,259</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred assessments, conveyance, and standby charges	<u>268,403</u>	<u>268,697</u>
Total Liabilities and Deferred Inflows of Resources	<u>524,418</u>	<u>543,956</u>
<u>NET POSITION</u>		
Net investment in capital assets	2,207,122	2,265,785
Unrestricted	<u>3,142,355</u>	<u>2,527,770</u>
Total Net Position	<u>5,349,477</u>	<u>4,793,555</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>5,873,895</u>	\$ <u>5,337,511</u>

See Accompanying Notes to Financial Statements

STONE CORRAL 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>
OPERATING REVENUES		
Water sales	\$ 1,797,767	\$ 1,445,014
Pumping revenue	3,711	4,023
Conveyance charges	96,943	96,574
Standby charges	53,856	52,773
Assessments	387,490	387,557
Refund from Friant Water Authority	15,606	-
Refund of conveyance cost	<u>-</u>	<u>793</u>
Total Operating Revenue	<u>2,355,373</u>	<u>1,986,734</u>
OPERATING EXPENSES		
Water purchases	899,736	1,548,297
Pumping	40,922	58,724
Transmission and distribution	189,701	109,237
Administrative and general	390,181	305,416
Depreciation	31,082	30,946
Payroll	<u>235,170</u>	<u>232,804</u>
Total Operating Expenses	<u>1,786,792</u>	<u>2,285,424</u>
Net Operating Income (Loss)	<u>568,581</u>	<u>(298,690)</u>
NON-OPERATING REVENUES (LOSSES)		
Interest income	7,717	29,273
Penalties	1,351	7,143
Change in value of water transfer liability & penalty	(27,581)	(19,920)
Gain (loss) on investment in power authorities	1,116	(2,943)
Rental and miscellaneous income	<u>4,738</u>	<u>3,095</u>
Total Non-Operating Revenue	<u>(12,659)</u>	<u>16,648</u>
CHANGE IN NET POSITION	555,922	(282,042)
NET POSITION, BEGINNING OF YEAR	\$ <u>4,793,555</u>	\$ <u>5,075,597</u>
NET POSITION, END OF YEAR	\$ <u>5,349,477</u>	\$ <u>4,793,555</u>

See Accompanying Notes to Financial Statements

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

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Cash received from water sales	\$ 1,948,841	\$ 1,492,715
Cash received for assessments, standby, and conveyance charges	591,897	597,423
Cash received for conveyance cost refund	-	793
Cash paid for water and operations	(1,133,183)	(1,722,425)
Cash paid for administration	(471,989)	(312,131)
Cash paid for employees	(232,920)	(229,530)
Cash received from other non-operating activities	<u>6,089</u>	<u>10,238</u>
Net cash provided (used) by operating activities	<u>708,735</u>	<u>(162,917)</u>
 CASH FLOWS FROM CAPITAL FINANCING ACITIVITIES		
Cash paid for asset acquisitions	-	(2,718)
Payment on long-term debt	<u>-</u>	<u>(130,000)</u>
Net cash (used) by capital financing activities	<u>-</u>	<u>(132,718)</u>
 CASH FLOWS FROM INVESTING ACTIVITES		
Loan receivable from EKGSA	-	(121,048)
Payments received from EKGSA	24,210	
Interest on deposits	<u>7,717</u>	<u>29,272</u>
Net cash provided by investing activities	<u>31,927</u>	<u>(91,776)</u>
 Net increase (decrease) in cash and cash equivalents	740,662	(387,411)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,110,196</u>	<u>2,497,607</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,850,858</u>	<u>\$ 2,110,196</u>

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

Recognition of the District's proportionate share of Deer Creek & Tule River Authority and South Valley Water Association's equity as of December 31, 2021 and 2020 was recorded as income (loss) in the following amounts:

- Deer Creek & Tule River Authority - \$(193) and \$(95)
- South Valley Water Association - \$1,310 and \$(2,848)

See Accompanying Notes to Financial Statements

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

	<u>2021</u>	<u>2020</u>
Reconciliation of Net Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Net operating income (loss)	\$ 568,581	\$ (298,690)
Adjustments to reconcile net operating income (loss) to cash provided (used) by operating activity:		
Depreciation	31,082	30,946
Penalties	1,351	7,143
Rental and miscellaneous income	4,738	3,095
(Increase) Decrease in:		
Receivables	201,265	141,261
Prepaid expenses	(51,163)	(57,236)
Increase (Decrease) in:		
Accounts payable	(48,132)	47,063
Compensated absences	1,307	565
Deferred assessments, conveyance and standby charges	(294)	489
Deferred water sales	<u> -</u>	<u> (37,553)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>708,735</u>	\$ <u>(162,917)</u>

See Accompanying Notes to Financial Statements

STONE CORRAL IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

Stone Corral Irrigation District was formed as a special district in the State of California and is governed by a five-person Board of Directors. The District provides irrigation water to the rural area surrounding the City of Visalia in Tulare County.

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. The Statement 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."

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.

Cash and Cash Equivalents

Cash includes currency, demand deposits with banks and other financial institutions, and other accounts that have the general characteristics of demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash or those investments with original maturities of three months or less.

For purposes of the Statements of Cash Flows, the District considers cash on hand and in the bank as well as funds on deposit with the Local Agency Investment Fund (LAIF) to be cash and cash equivalents.

STONE CORRAL IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Receivables

The District utilizes the direct write-off method for bad debts. No allowance for bad debts has been provided as no material write-offs are expected for receivables at December 31, 2021 and 2020.

All receivables are considered collectible because the District obtains a lien upon the property of the landowner once the receivable becomes delinquent. The District will maintain a lien on the property until the property is sold.

Assessments, Conveyance, and Standby Charges

Assessments, conveyance, and standby charges attach as an enforceable lien on property as of January 1st. These charges are payable in two installments on December 20th and June 20th. The conveyance charge is for budgeted operation and maintenance expenditures on the Friant-Kern Canal. The standby charge is for budgeted operation and maintenance expenditures for the calendar year.

The second installments of the assessment; \$193,726 and \$193,765, conveyance; \$48,613 and \$48,329, and standby charges; \$26,064 and \$26,603, were deferred until the subsequent year and reported in the Statement of Net Position as deferred inflow of resources for the years ended December 31, 2021 and 2020, respectively.

Prepaid Water

Prepaid water represents amounts paid for water in excess of the water allocation approved by the Bureau of Reclamation. The District had prepaid water in the amount of \$21,065 and \$51,150 as of December 31, 2021 and 2020, respectively.

Water Transfers/Exchange 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 Friant Class 1 water at the reporting date. At December 31, 2021 and 2020, the District had a Friant Class 1 water rate of \$43.76 and \$42.39, per acre foot, respectively.

Capital Assets

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

Vehicles and equipment	2-5 years
Transmission and distribution	5-40 years
General plant	5-30 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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Operating and Non-operating Revenues

Operating revenues generally result from providing services and producing and delivering goods in connection with the District’s principal ongoing operations. The principal operating revenues are water sales, pumping, conveyance, standby charges, and assessments. Exchange transactions are those in which each party receives and gives up essentially equal values. All revenues not meeting this definition are reported as non-operating revenues.

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 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 Authority also operates and maintains the Friant-Kern canal.

Eastern Kaweah Groundwater Sustainability Agency - The Agency (GSA) is comprised of eight special districts for the purpose of managing groundwater in a sustainable fashion. The GSA is governed by a board of directors consisting of representatives from each member district. In 2020, the District provided a loan to the GSA in the amount of \$121,048 to help assist with the costs of installing monitoring networks. The District received it’s first of 5 annual payments of \$24,210 in 2021. The loan is without interest.

2. CASH AND CASH EQUIVALENTS

At December 31, 2021 and 2020, the cash and cash equivalents consist of the following:

	<u>2021</u>	<u>2020</u>
Cash on Hand	\$ 129	\$ 149
General checking — Bank of America	197,601	413,884
Local Agency Investment Fund	<u>2,653,128</u>	<u>1,696,163</u>
	<u>\$ 2,850,858</u>	<u>\$ 2,110,196</u>

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

2. 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 California government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities or first trust deed mortgage notes. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District's cash deposits with Bank of America were insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000, the District's deposits were fully FDIC insured as of December 31, 2021 and \$164,684 was uninsured by FDIC as of December 31, 2020.

Bank of America does not collateralize public agencies deposits beyond the FDIC limit.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools such as LAIF.

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

Investment Policy

The District has not adapted an Investment Policy for its cash and cash equivalents. The District's cash and cash equivalents are invested mainly with the Local Agency Investment Fund (LAIF) and general checking account.

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

2. CASH AND CASH EQUIVALENTS, continued

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.

Concentration of Credit Risk

The District has no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total District investments are as follows:

	<u>2021</u>		<u>2020</u>	
General Checking and Treasury Accounts — Bank of America	\$ 197,601	7%	\$ 411,553	20%
Local Agency Investment Fund	2,653,128	93%	1,696,163	80%

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 was 0.21% for December 31, 2021 was .54% for December 31, 2020. 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.

3. RECEIVABLES

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

	<u>2021</u>	<u>2020</u>
Water sales and pumping	\$ 68,013	\$ 205,849
Assessments	176,433	215,035
Standby	24,382	29,566
Conveyance costs	43,883	54,000
Other	<u>10,171</u>	<u>19,697</u>
	<u>\$ 322,882</u>	<u>\$ 524,147</u>

For the years ended December 31, 2021 and 2020, the District had placed several liens on properties with delinquent receivables in the amount of \$18,780 and \$95,695, respectively.

4. PREPAID EXPENSES

At December 31, 2021 and 2020, the total prepaids consist of the following:

	<u>2021</u>	<u>2020</u>
FWA operation, maintenance & repair costs	\$ 87,308	\$ 15,305
Insurance	17,949	4,153
ACWA Dues	-	5,110
CA Department of Tax & Fees	<u>6,155</u>	<u>5,596</u>
	<u>\$ 111,412</u>	<u>\$ 30,164</u>

STONE CORRAL IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

5. CAPITAL ASSETS

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

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/21</u>
Capital assets not being depreciated				
Land	\$ 147,767	\$ -	\$ -	\$ 147,767
Water rights	107,133	-	-	107,133
Perpetual water supply contract	<u>1,953,770</u>	-	-	<u>1,953,770</u>
Totals	<u>2,208,670</u>	-	-	<u>2,208,670</u>
Capital assets being depreciated				
Transmission and distribution	5,034,627	-	-	5,034,627
Office buildings	168,531	-	-	168,531
Vehicles & equipment	<u>103,438</u>	-	-	<u>103,438</u>
Totals	5,306,596	-	-	5,306,596
Less Accumulated depreciation	<u>(5,046,009)</u>	\$ <u>(31,082)</u>	\$ -	<u>(5,077,091)</u>
Total capital assets being depreciated	<u>260,587</u>			<u>229,505</u>
Net Book Value	\$ <u>2,469,257</u>			\$ <u>2,438,175</u>

6. WATER TRANSFER LIABILITY

On December 11, 2010 the District entered into an agreement with Pixley Irrigation District (Pixley) to receive funds from Pixley for the payment of its "Repayment Obligation" to the United States Bureau of Reclamation. The obligation is associated with the conversion of District's Friant Contract to a Friant Repayment Contract. The "Repayment Obligation" required four annual payments beginning on April 20, 2011 and totaling \$1,953,771.

In return for the financing arrangement, The District agreed to pay Pixley \$1,300,000, without interest, in annual cash installments of \$130,000 beginning on June 30, 2011, and continuing annually for ten years, with the final payment to be made on June 30, 2020. The difference between the financing costs and the amount repaid by the District will be repaid through the transfer of 12,000-acre feet of Class I water to Pixley. The District's obligation to make available and Pixley right to take, pursuant to the agreement commenced in the 2011 Water Year and was continued annually through the 2020 Water Year.

Unless mutually agreed to by the Parties, Stone Corral did not make available, and the District was not required to take, more than 3,000-acre feet of available water in any given Water Year. Any portion of the 12,000 acre-feet not transferred to Pixley Irrigation District by the end of the 2020 water year was to be increased by a factor of 10% with the return obligation extending until the amount is transferred in full. The District did not make the required water payment by February 28, 2021 and the 10% increase was required. Effective April 30, 2021 a 10% penalty of 48 acre feet was added and is reflected in the adjustment of \$8,676 shown in the table.

As of December 31, 2021, and 2020, the underlined water was 5,280 and 4,800-acre feet, respectively, and, was valued at \$231,053 and \$203,472, respectively. The change in value of the water transfer liability was a decrease of \$(27,581) and \$(19,920) for the years ended December 31, 2021 and 2020, respectively, and is reported as non-operating revenue (losses) in the Statements of Revenues, Expenses, and Changes in Net Position.

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

6. WATER TRANSFER LIABILITY, continued

The following shows the changes of the Water Transfer Liability during the year:

	<u>Balance</u> <u>12/31/20</u>	<u>Adjustments</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/21</u>
Cash Component	\$ -	\$ -	\$ -	\$ -
Water Transfer Component	<u>203,472</u>	<u>27,581</u>	<u>-</u>	<u>231,053</u>
	<u>\$ 203,472</u>	<u>\$ 27,581</u>	<u>\$ -</u>	<u>\$ 231,053</u>
	<u>Balance</u> <u>12/31/19</u>	<u>Adjustments</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/20</u>
Cash Component	\$ 130,000	\$ -	\$ (130,000)	\$ -
Water Transfer Component	<u>183,552</u>	<u>19,920</u>	<u>-</u>	<u>203,472</u>
	<u>\$ 313,552</u>	<u>\$ 19,920</u>	<u>\$ (130,000)</u>	<u>\$ 203,472</u>

7. INVESTMENT IN POWER AUTHORITIES

The District participates in two joint power authorities (JPA's), organized to address water supply related issues and other 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 power authorities at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Deer Creek & Tule River Authority	\$ 28,627	\$ 28,821
South Valley Water Association	<u>4,038</u>	<u>2,728</u>
Total Investments in Power Authorities	<u>\$ 32,665</u>	<u>\$ 31,549</u>

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 4.66% of the operating funds for the DCTRA. The District's share of the loss from DCTRA for the years ended December 31, 2021 and 2020 was \$(193) and \$(95), respectively.

South Valley Water Association

The South Valley Water Association (SVWA) was formed through a memorandum of understanding and on April 1, 2017 reorganized as a JPA. The SVWA was formed solely to address water supply related issues of common concern to the participants. The SVWA is comprised of 7 members with the District having a 7.31% membership share. The District's share of the gain (loss) on investment from SVWA for the years ended December 31, 2021 and 2020 was \$1,310 and \$(2,848).

STONE CORRAL IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

7. INVESTMENT IN POWER AUTHORITIES, continued

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

	Unaudited December 31, 2021 DCTRA	Unaudited December 31, 2021 SVWA
Total Assets	\$ 821,634	\$ 125,180
Total Liabilities	<u>211,865</u>	<u>45,207</u>
Total Net Position	\$ <u>609,769</u>	\$ <u>79,973</u>
Total Revenue	\$ 20,642	\$ 637,983
Total Expense	<u>24,793</u>	<u>620,068</u>
Change in Net Position	\$ <u>(4,151)</u>	\$ <u>17,915</u>
	Unaudited December 31, 2020 DCTRA	Audited December 31, 2020 SVWA
Total Assets	\$ 2,644,907	\$ 107,485
Total Liabilities	<u>2,026,442</u>	<u>45,427</u>
Total Net Position	\$ <u>618,465</u>	\$ <u>62,058</u>
Total Revenue	\$ 27,391	\$ 550,247
Total Expense	<u>29,429</u>	<u>589,207</u>
Change in Net Position	\$ <u>(2,038)</u>	\$ <u>(38,960)</u>

8. NET POSITION

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, 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 \$2,226,027 and \$2,265,785, respectively.

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 \$3,142,355 and \$2,527,770, respectively.

STONE CORRAL IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

9. COMMITMENTS AND CONTINGENCIES

Water Delivery Contract

The District is committed each year, through February 28, 2026, to purchase from the United States Bureau of Reclamation (USBR) up to 10,000-acre feet of Class I water. The price of water is established annually by the USBR to pay the cost of operations, maintenance, restoration, and surcharge fees of the Central Valley Project for the term of the contract. A factor in determining the cost of water is the operating and maintenance deficit or surplus the District has with the USBR. The District had an operating and maintenance surplus of \$125,218 and \$121,909, as of September 30, 2020 and 2019, that will be used in determining 2022 and 2021 water rates. In addition, as of September 30, 2020 and 2019, the District had a capital and construction cost deficit of \$126,221 and \$141,003, respectively. 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.

Other Cases

Stone Corral Irrigation District, as a member of the Friant Water Authority (the 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 the cases mentioned above cannot be estimated.

Pension Plan

On January 8, 1993, the District adopted a Simplified Employees' Pension (SEP) Plan. The SEP is a defined contribution plan which requires employer contributions of 4 to 7 ½ percent of qualified salaries. Employees become fully vested in the plan after 3 years of service. For the years ended December 31, 2021 and 2020, the SEP covered four employees and covered salaries totaled \$217,837 and \$215,600, respectively. Total employer contributions for the years ended December 31, 2021 and 2020 amounted to \$12,259 and \$12,051, respectively.

Health Insurance Benefits

The District currently provides certain health care benefits for its employees, current directors and a retired director. The amount of \$88,920 and \$109,066 was recognized for health insurance expense for the year ended December 31, 2021 and 2020, 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 OM&R costs incurred by the SLDMWA in delivering Settlement 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.

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

9. COMMITMENTS AND CONTINGENCIES, continued

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 current estimated share of the District's obligation is \$509,000 and the funding request from the Authority will be quarterly and started on October 1, 2021 and ends January 3, 2023. The district is expensing these cost as they are paid to the Authority. The canal repairs should not have an effect on the District's water deliveries.

To acquire the necessary funds, the District will proceed with a Proposition 218 vote.

Management Sharing Agreement

The District entered into a management sharing agreement with the newly formed joint power authority, Tri District Water Authority. The Authority consists of Exeter Irrigation District, Ivanhoe Irrigation District, and Stone Corral Irrigation District. The Authority will be responsible for the employment of the general manager for the three districts. Each district shall be responsible for one-third of the expenses. The Authority's board may determine to undertake additional activities if it so determines, such activities shall be undertaken pursuant to the terms of the Special Projects Agreement. The District will begin the management sharing as of April 1, 2022.

10. RELATED PARTY TRANSACTIONS

The District sells water to members of the Board of Directors under the same terms and conditions as unrelated parties.

11. 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. Management had entered into an agreement with an engineering firm for a field assessment for groundwater recharge potential. The total fee is estimated to be \$55,500. Management has determined there are no other events that require disclosure in accordance with accounting standards generally accepted in the United States of America. These subsequent events have been evaluated through March 14, 2022, which is the date the financial statements were issued.

**STONE CORRAL IRRIGATION
DISTRICT ORGANIZATION
December 31, 2020**

BOARD OF DIRECTORS

Art Ramirez	Chairman	November, 2022
David C. Roberts	Vice Chairman	November, 2024
Joe Leal	Director	November, 2022
Tom Runyon	Director	November, 2024
Vacant	Director	November, 2024

Manager/Secretary

William D. West

Treasurer

Vincent J. Serrato