

TERRA BELLA 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
Terra Bella Irrigation District:

Opinion

We have audited the accompanying financial statements of the Terra Bella 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 Terra Bella 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 Terra Bella Irrigation District's internal control. According, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedules of Operating Expense on page 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the Schedules of Operating Expense on page 20 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cuttone & Mastro

Fresno, California
June 16, 2022

**TERRA BELLA 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	\$ 5,658,151	\$ 5,138,562
Receivables:		
Water	204,516	181,600
Standby	64,494	64,708
Interest	2,314	7,488
Other	156,584	509,341
Supplies inventory	56,386	59,538
Prepaid expenses	<u>314,239</u>	<u>168,618</u>
Total Current Assets	6,456,684	6,129,855
Restricted assets	544,130	543,797
Receivable from State of California	203,662	203,662
Investments in power authorities	6,204,336	6,098,611
USBR operating and maintenance surplus	310,819	303,870
Capital Assets, net of accumulated depreciation	<u>13,536,394</u>	<u>13,890,155</u>
Total Assets	\$ <u>27,256,025</u>	\$ <u>27,169,950</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 224,679	\$ 392,489
Accrued expenses	127,105	81,631
Deposit	898	898
Current portion of long-term debt	<u>407,312</u>	<u>430,040</u>
Total Current Liabilities	759,994	905,058
Non-current Liabilities		
Long-term debt, net of current portion	<u>2,573,993</u>	<u>2,983,854</u>
Total Liabilities	3,333,987	3,888,912
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Customer prepayments	<u>200,359</u>	<u>45,779</u>
Total Liabilities and Deferred Inflow of Resources	<u>3,534,346</u>	<u>3,934,691</u>
<u>NET POSITION</u>		
Net investment in capital assets	10,555,089	10,476,261
Restricted for debt service	544,130	543,797
Unrestricted	<u>12,622,460</u>	<u>12,215,201</u>
Total Net Position	<u>23,721,679</u>	<u>23,235,259</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>27,256,025</u>	\$ <u>27,169,950</u>

See Accompanying Notes to Financial Statements

TERRA BELLA 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 – district members	\$ 4,159,392	\$ 3,591,891
Water sales – outside districts	-	324,081
Standby charges	516,280	516,841
Capacity charges	138,772	137,767
Refunds and other operating revenues	<u>591,766</u>	<u>436,049</u>
Total Operating Revenues	<u>5,406,210</u>	<u>5,006,629</u>
OPERATING EXPENSES		
Source of supply	4,043,296	3,346,966
Transmission and distribution	910,569	805,791
Administrative and general	<u>1,855,586</u>	<u>2,089,903</u>
Total Operating Expenses	<u>6,809,451</u>	<u>6,242,660</u>
Operating Loss	<u>(1,403,241)</u>	<u>(1,236,031)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	14,422	65,259
Interest (expense)	(61,971)	(117,537)
Gain on investments in power authorities	231,231	472,462
Sale of dirt and easement	1,170,597	-
Gain on sale of capital assets	488,916	568
Other non-operating income	<u>46,466</u>	<u>45,885</u>
Total Non-Operating Revenue (Expenses)	<u>1,889,661</u>	<u>466,637</u>
NET INCREASE (DECREASE) IN NET POSITION	486,420	(769,394)
NET POSITION, BEGINNING OF YEAR	<u>23,235,259</u>	<u>24,004,653</u>
NET POSITION, END OF YEAR	\$ <u>23,721,679</u>	\$ <u>23,235,259</u>

See Accompanying Notes to Financial Statements

**TERRA BELLA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,890,845	\$ 4,784,995
Cash paid to suppliers and vendors	(5,422,761)	(4,511,546)
Cash paid to employees	(1,290,918)	(1,293,141)
Cash received from other non-operating revenue	<u>46,466</u>	<u>45,885</u>
Net cash (used) by operating activities	<u>(776,368)</u>	<u>(973,807)</u>
CASH FLOWS FROM CAPITAL FINANCING ACITIVITIES		
Acquisition and construction of capital assets	(26,849)	(174,584)
Proceeds from the sale of capital assets	1,672,597	600
Principal paid on capital debt	(432,589)	(775,033)
Interest paid on capital debt	<u>(61,971)</u>	<u>(117,537)</u>
Net cash (used) in capital and related financing activities	<u>(1,151,188)</u>	<u>(1,066,554)</u>
CASH FLOWS FROM INVESTING ACTIVITES		
Interest received	19,596	85,491
Additional investment in Power Authority	-	(1,196)
Distribution received from investment in Power Authority	<u>125,506</u>	<u>783,198</u>
Net cash provided by investing activities	<u>145,102</u>	<u>867,493</u>
 Net increase (decrease) in cash and cash equivalents	 519,922	 (1,172,868)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,682,359</u>	<u>6,855,227</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,202,281</u>	<u>\$ 5,682,359</u>

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

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

- Friant Power Authority - \$188,689 and \$574,188
- Eastside Power Authority - \$42,863 and \$(101,217)
- Deer Creek & Tule River Authority - \$(321) and \$(509)

**TERRA BELLA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating (loss)	\$ (1,403,241)	\$ (1,236,031)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	367,526	377,296
Non-operating income	46,466	45,885
(Increase) Decrease in:		
Receivable		
Water	(22,916)	319,496
Standby	214	1,947
Other	352,757	(425,946)
Supplies inventory	3,152	15,629
Prepaid expenses	(145,621)	(100,554)
USBR operating and maintenance surplus	(6,949)	(81,343)
Increase (Decrease) in:		
Accounts payable	(167,810)	201,190
Accrued expenses	45,474	25,755
Customer prepayments	<u>154,580</u>	<u>(117,131)</u>
Net cash (used) by operating activities	\$ <u>(776,368)</u>	\$ <u>(973,807)</u>

See Accompanying Notes to Financial Statements

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 1 - Organization and Description of Business

Terra Bella Irrigation District is a special district formed in 1915 under the California Water Code, is located in Tulare County and covers an area of approximately 13,962 acres. The primary function of the District is to divert and distribute water to agricultural lands.

NOTE 2 - Summary of Significant Accounting Policies

Reporting Entity

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

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

Based on these criteria, the District is not a component unit of any other reporting entity and no other entity is a component unit of the District as defined by the GASB statements.

Fund Accounting

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

Basis of Accounting

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

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

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

Operating and Nonoperating Revenues

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

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Procedures

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

Use of Estimates

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

Cash and Cash Equivalents

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

For the purposes of 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.

Cash in Excess of FDIC Insured Limits

The organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. Amounts in excess of insured limits are collateralized by the pledged securities in accordance with the local agency deposit and security law and California government code.

Accounts Receivable

Accounts receivable arise from billings to customers and other agencies for sales of water and other services. Historically write offs of receivables have been minimal and are not considered a factor in financial statement presentations. The District considers all accounts receivable to be fully collectible. Therefore, an allowance for doubtful accounts is not reflected in these financial statements.

Supplies

Supplies, consisting of pipe, meters, and parts are recorded at the lower of cost, determined primarily under the first-in, first-out method or estimated market value.

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased prior to December 31, 1967 were recorded based on the fair market value as of January 1, 1968. Capital assets purchased subsequent to December 31, 1967 are recorded at historical cost. The cost of additions, renewals and betterments are capitalized; repairs and minor acquisitions and replacements are charged to operating expense as incurred. Interest costs incurred that are related to the construction of property are capitalized.

Depreciation is computed on the straight-line method using the following estimated useful lives:

Transmission and Distribution Plant	10-99 years
Pumping Plant	10-40 years
Buildings	40 years
Equipment	3-40 years
Filtration System	10-99 years

Impairment of Long-Lived Assets

Long lived assets consist primarily of capital assets, and other intangible assets. The recoverability of long-lived assets is evaluated by an analysis of operating results and consideration of other significant events or changes in the business environment. If the District has indications of impairment, such as current operating losses, the District will evaluate whether impairment exists on the basis of un-discounted expected future cash flows from operations, before interest, for the remaining amortization period. If impairment exists, the carrying amount of the long-lived assets is reduced to its estimated fair value, less any costs associated with the final settlement. As of December 31, 2021 and 2020, there was no impairment of the District's long-lived assets.

Self-insurance

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. As of December 31, 2021 and 2020, there were no open claims.

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.

TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 ad 2020

NOTE 2 - Summary of Significant Accounting Policies (Continued)

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.

Net Position

Net Position comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net Position is classified in the following three components:

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

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

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

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

NOTE 3 - Cash & 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	\$ 480	\$ 500
Cash in bank – Bank of Sierra	2,105,282	482,200
Cash in bank – California Bank & Trust	325,591	287,974
Local Agency Investment Fund	<u>3,770,928</u>	<u>4,911,685</u>
	6,202,281	5,682,359
Less: restricted assets	<u>544,130</u>	<u>543,797</u>
Total cash and cash equivalents	<u>\$ 5,658,151</u>	<u>\$ 5,138,562</u>

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 3 - Cash & Cash Equivalents (Continued)

Investments Authorized by the California Government Code

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

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

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.

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).

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.

TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 3 - Cash & 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 \$1,976,842 and \$605,221, respectively. Of this balance, \$250,000 was covered by the Federal depository insurance and \$1,726,842 and \$355,221 respectively, were uninsured but collateralized.

At December 31, 2021 and 2020, the bank balances with California Bank and Trust were \$325,591 and \$287,974, respectively. Of this balance, \$250,000 was covered by the Federal depository insurance and \$75,591 and \$37,974 respectively, were uninsured but collateralized.

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 .212% and .054%, respectively. The District's investment in the Local Agency Investment Fund was not subject to credit risk categorization and is carried at amortized cost which approximates fair value. All pooled funds are regulated by the California Government Code.

NOTE 4 - Restricted Assets

Restricted assets represent allocations of cash and cash equivalents pursuant to Federal and State loan agreements as follows:

State Loan Reserve Fund

A provision of the loan agreement with the State of California Department of Water Resources requires the District to set aside \$4,000 per year in a loan reserve account until the reserve reaches \$39,470, the equivalent of two semi-annual payments. These funds are collected in the capacity charge applied to all domestic services in the treated water service area. The balance in this fund was \$39,470 as of December 31, 2021 and 2020.

Truist Bank, BB&T Governmental Finances Reserve

A provision of the Truist Bank loan that was utilized to payoff the Bank of America loan, requires the District to set \$404,520 in a reserve fund to secure the District's payment obligations under the loan. The balance in the account was \$404,520 as of December 31, 2021 and 2020.

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 4 - Restricted Assets (Continued)

1st SRF Loan Reserve

The U.S. Department of Agriculture (USDA) loan was refinanced with a zero percent interest loan from the State Revolving Fund (SRF). The SRF loan is secured by the capacity charges collected on the water accounts. A provision of the original USDA loan was that \$7,104 per year for ten years be placed in a reserve fund for repayment of the loan. The balance in this fund was \$71,040 as of December 31, 2021 and 2020.

2nd SRF Loan Reserve

In connection with the funding agreement with the State of California, the District is required to establish at a minimum, a reserve of two semi-annual payments during the first ten years and thereafter maintained at that level. The balance in the account was \$5,100 as of December 31, 2021 and 2020.

3rd SRF Loan Reserve

In connection with the funding agreement with the State of California, the District is required to establish at a minimum, a reserve of two semi-annual payments during the first ten years and thereafter maintained at that level. As of December 31, 2021 and 2020, the balance in the account was \$24,000 and \$23,667, respectively.

NOTE 5 - Capital Assets

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

	Balance <u>12/31/20</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/21</u>
Capital assets not being depreciated				
Land	\$ 1,090,237	\$ -	\$ 11,241	\$ 1,078,996
Perpetual water supply contract	5,506,760	-	-	5,506,760
Construction in progress	40,173	-	24,932	15,241
Totals	<u>6,637,170</u>	<u>-</u>	<u>36,173</u>	<u>6,600,997</u>
Capital assets being depreciated				
Transmission and distribution	7,909,416	18,111	7,011	7,920,516
Pumping plant	2,702,658	5,565	-	2,708,223
Buildings	384,776	12,500	3,870	393,406
Equipment	378,924	-	-	378,924
Transportation equipment	284,763	15,605	-	300,368
Office furniture & fixtures	223,030	-	-	223,030
Filtration system	6,053,619	-	-	6,053,619
Totals	17,937,186	51,781	10,881	17,978,086
Less Accumulated depreciation	<u>(10,684,201)</u>	<u>\$ (367,526)</u>	<u>\$ 9,038</u>	<u>(11,042,689)</u>
Total capital assets being depreciated	<u>7,252,985</u>			<u>6,935,397</u>
Net Book Value	<u>\$ 13,890,155</u>			<u>\$ 13,536,394</u>

The District sold 11.20 acres for \$502,000 and entered into an easement agreement with the US Bureau of Reclamation for the for excavation and removal of all necessary fill soil in the amount of \$1,170,597. The easement is in place for a five year period.

NOTE 6 - Employee Benefits

Deferred Compensation Plan - The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plan assets are invested with Mass Mutual as trustee.

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 6 - Employee Benefits (Continued)

Compensated Absences - The District has accrued a liability for vacation pay that has been earned and would be payable upon termination or retirement. Up to thirty-four days of unused vacation pay can be accumulated by employees hired prior to March 1, 1995 and is paid upon termination or retirement. Up to thirty days of unused vacation pay can be accumulated by employees hired after March 1, 1995 and is paid upon termination or retirement.

Retirement Plan - The District has adopted a defined contribution, 401(k) pension plan covering eligible employees. The District contributes 8% of the employee's regular annual compensation. In addition, the District will match the employee's contribution up to a maximum of 1% for a total of 9%.

Employees fully vest in the District's contribution upon completion of five years of service. Pension expense for 2021 and 2020 was \$74,092 and \$66,018, respectively.

NOTE 7 - Investments in Power Authorities

The District participates in several joint power authorities (JPA's), organized to develop hydroelectric power for use by public agencies and for 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>
Eastside Power Authority	\$915,267	\$872,404
Friant Power Authority	5,241,934	5,178,751
Deer Creek & Tule River Authority	<u>47,135</u>	<u>47,456</u>
Total Investments in Power Authorities	\$ <u>6,204,336</u>	\$ <u>6,098,611</u>

Eastside Power Authority

The Eastside Power Authority (ESPA) was established for the purpose of undertaking negotiations to study and, if feasible, design, construct and operate a transmission/distributions project with a general alignment along the Friant-Kern Canal. ESPA has since become an Energy Service Provider for the purpose of delivering the member districts their Western Area Power Administration energy entitlement. The District share of the gain (loss) from ESPA for the years ended December 31, 2021 and 2020 was \$42,863 and \$(101,217), respectively.

Friant Power Authority

The Friant Power Authority (FPA) is comprised of eight special districts to develop hydroelectric power for use by public agencies. FPA currently operates a plant at the Friant Dam. The District has a 15.25 participation percentage in the original facilities constructed by the FPA. In addition, completion of a new project undertaken by the FPA was substantially completed and started generating power in May of 2017, with the District's participation percentage being 12.50%. A 7-Megawatt hydropower plant was built adjacent to the existing FPA 2.3-Megawatt hydropower plant to take advantage of additional water releases into the San Joaquin River as a result of the San Joaquin River Restoration Program. The District did not contribute to the FPA for the year ending December 31, 2021 and contributed \$1,196 to the FPA for the year ending December 31, 2020 for this project's development. In addition, the District received a return of their investment in FPA during both 2021 and 2020 in the amounts of \$125,506 and \$783,198, respectively.

For the years ended December 31, 2021 and 2020, the District increased its investment and recorded estimated revenue in the amount of \$188,689 and \$574,188, respectively, for the District's percentage of net income. The revenue reported also reflects a net change in the estimated revenue reported from prior years

TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

NOTE 7 - Investments in Power Authorities (Continued)

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 share of the loss from DCTRA for the years ended December 31, 2021 and 2020 was \$321 and \$509, respectively.

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

	December 31, 2021 ESPA	December 31, 2021 DCTRA	June 30, 2021 FPA
Total Assets	\$ 3,330,531	\$ 821,634	\$ 39,602,922
Total Liabilities	<u>549,410</u>	<u>211,866</u>	<u>109,365</u>
Total Net Position	\$ <u>2,781,121</u>	\$ <u>609,768</u>	\$ <u>39,493,557</u>
Total Revenue	\$ 3,902,432	\$ 20,642	\$ 715,302
Total Expense	<u>3,901,422</u>	<u>24,793</u>	<u>715,163</u>
Change in Net Position	\$ <u>1,010</u>	\$ <u>(4,151)</u>	\$ <u>139</u>

NOTE 8 - Long-Term Debt

State Loan: Loan payable to the State of California under the Safe Drinking Water Bond Law of 1988. The loan in the original amount of \$834,813 is payable in semi-annual payments of \$19,735 on October 1 and April 1 each year beginning October 1996 for a period of 30 years. The interest rate is 2.4175% per annum. Collateralized by a security interest in both real and personal property.

	<u>2021</u>	<u>2020</u>
	\$ 167,342	\$ 202,139

1st SRF Loan: Loan payable to the State of California under the Safe Drinking Water State Revolving Fund loan contract. The loan in the original amount of \$1,218,820 is payable in semi-annual payments of \$30,470 on January 1 and July 1 each year beginning January 2002 for a period of 20 years. Collateralized by a security interest in both real and personal property. The loan is without interest.

-	30,471
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2nd SRF Loan: Loan payable to the State of California under the Safe Drinking Water State Revolving Fund law of 1997. The loan in the original amount of \$102,000 is payable in semi-annual payments of \$2,550 on January 1 and July 1 each year beginning July 2003 for a period of 20 years. Collateralized by a security interest in both real and personal property. The loan is without interest.

5,100	10,200
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3rd SRF Loan: Loan payable to the State of California, Department of Health Service to assist in the construction of facilities to meet the state safe drinking water standards. The loan allowed for up to \$480,000 to be drawn on this construction loan with an additional \$580,000 provided in grant monies for a total project cost of \$1,050,000. The loan in the original amount of \$480,000 is payable in annual installments of \$24,000 beginning April 2013 for a period of 20 years. Collateralized by a security interest in real and personal property. The loan is without interest.

240,000	264,000
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**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 8 - Long-Term Debt (Continued)

	<u>2021</u>	<u>2020</u>
Truist Bank: Loan payable to Truist Bank, BB&T Governmental Finances in order to refinance the Loan payable to Bank of America, N.A. The loan in the original amount of \$3,073,652, is payable in semi-annual payments on February 1 and August 1, each year beginning August 1, 2020 for a period of eight years. The interest rate is 2.03% per annum.	<u>2,568,863</u>	<u>2,907,084</u>
Total	2,981,305	3,413,894
Less: current portion of long-term debt	<u>407,312</u>	<u>430,040</u>
Long-term debt	<u>\$ 2,573,993</u>	<u>\$ 2,983,854</u>

Principal maturities and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 407,312	\$ 54,227	\$ 461,539
2023	415,220	46,319	461,539
2024	420,741	38,248	458,989
2025	428,987	30,003	458,990
2026	417,662	21,591	439,253
2027 - 2031	<u>891,383</u>	<u>19,653</u>	<u>911,036</u>
	<u>\$ 2,981,305</u>	<u>\$ 210,041</u>	<u>\$ 3,191,346</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Safe Drinking Water Bond Law of 1988	\$ 202,139	\$ -	\$ 34,797	\$ 167,342	\$ 35,640
1st Safe Drinking Water Revolving Loan	30,471	-	30,471	-	-
2nd Safe Drinking Water Revolving Loan	10,200	-	5,100	5,100	2,550
3rd Safe Drinking Water Revolving Loan	264,000	-	24,000	240,000	24,000
Truist Bank	<u>2,907,084</u>	<u>-</u>	<u>338,221</u>	<u>2,568,863</u>	<u>345,122</u>
	<u>\$ 3,413,894</u>	<u>\$ -</u>	<u>\$ 432,589</u>	<u>\$ 2,981,305</u>	<u>\$ 407,312</u>

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 9 - Related Parties

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

NOTE 10 – Commitments and Contingencies

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

In 2010 the District entered into a long-term contract with the USBR to purchase up to 29,000 acre-feet of Class 1 water each year from the Friant Division of the Central Valley Project (CVP). The contract has no termination date and remains in effect as long as the District is in compliance with the terms of the contract. The price of water is established annually by the USBR in accordance with applicable law and associated regulations, to pay the cost of operations, maintenance, restoration, and surcharge fees of the Central Valley Project for the term of the contract. The rates in effect at December 31, 2021 and 2020 were \$43.76 and 42.24 per acre-foot, respectively.

A factor in determining the cost of water is the operating and maintenance (O&M) deficit or surplus the District has with the USBR. An O&M deficit is interest bearing and as of September 30, 2020 and 2019, the last reported dates, the District had an O&M surplus of \$310,819 and \$303,870, respectively. These amounts are reported as assets as of December 31, 2021 and 2020.

In addition, as of September 30, 2020 and 2019, the District had a capital and construction cost deficit of \$316,760 and \$218,440, 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.

Land Use Agreement

In August 2000, the District entered into a land use agreement with Deer Creek and Tule River Authority (DCTRA) whereby the District gives DCTRA the right to utilize 160 acres of land, owned by the District, for the purpose of groundwater recharge and developing groundwater recharge facilities. In return, DCTRA and certain of its member District will make sufficient quantities of water available to the District to meet the demands of growers and municipal and industrial customers within the District boundaries in every year when such demand cannot be met by the District's surface and groundwater supplies due to a reduction in the available contracted Central Valley Project (CVP) surface water supply. The District will pay the then applicable Class I CVP contract rate, any applicable Restoration Fund and Friant Surcharge amounts which apply, a calculated Friant-Kern Canal conveyance charge and any other statutorily required water charges or fees agreed to by the parties. In no case shall the supplemental supply made available to the District by this agreement exceed 14,250 acre-feet.

Resources Exchange Agreement

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

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 10 – Commitments and contingencies, continued

Joint Defense Agreement

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

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 share of the District's obligation is \$1,303,000 and the estimated funding request schedule from the FWA is as follows:

<u>Invoice Date</u>	<u>Payment Due Date</u>	<u>Amount</u>
August 13, 2021	October 1, 2021	\$ 182,000
November 19, 2021	January 3, 2022	196,000
February 11, 2022	April 1, 2022	187,000
May 13, 2022	July 1, 2022	190,000
August 19, 2022	October 3, 2022	308,000
November 18, 2022	January 3, 2023	<u>240,000</u>
		<u>\$ 1,303,000</u>

The District's allocated amounts for the first and second payments were \$184,388 and 198,829, respectively, both which were paid by the District in 2021. The difference between the amounts paid and the allocation amounts above will be adjusted in the future payment.

SLDMWA JPP Rewind Project

On November 6, 2020 the Friant Water Authority (FWA) entered into a Funding Agreement with the San Luis Delta Mendota Water Authority (SLDMWA). The Agreement calls for FWA to make 5 scheduled payments between November 2020 and August 1, 2022 as reported below. In addition, the Agreement calls for FWA to make a "Public Debt; Offset Payment" under which FWA paid what would have been its share of the actual cost of the bond issuance of \$104,537 on February 1, 2021. FWA made the first Funding Agreement payment of \$1,755,108 on November 19, 2020. On February 25, 2021 the FWA acted to invoice the Friant Division Contractors for the payments made utilizing the SLDMWA allocation percentages in effect for the water year (WY) the payments are made. The District's allocated amount for the first payment made by the FWA in November 2020 is \$54,673. This amount was paid by the District in April of 2021. This District also made the 2nd and 3rd payments in the amounts of \$28,997 and \$20,659 in July and October, respectively.

**TERRA BELLA IRRIGATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

NOTE 10 – Commitments and contingencies, 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, 2021	778,678	WY 2022 Percentage
Unit 4 Test	August 1, 2022	<u>709,007</u>	WY 2022 Percentage
		<u>\$ 4,939,866</u>	

Supplementary Information

**TERRA BELLA IRRIGATION DISTRICT
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Schedule of Operating Expenses:		
Source of supply		
Water purchases and costs	\$ 2,542,672	\$ 2,253,808
Electrical costs	<u>1,500,624</u>	<u>1,093,158</u>
Total source of supply	<u>4,043,296</u>	<u>3,346,966</u>
Transmission and distribution		
Salaries and wages	363,190	321,224
Payroll taxes	27,224	26,359
Compensation insurance	12,217	12,829
Employee benefits	170,394	168,179
Engineering	24,959	21,315
Repairs and maintenance	215,261	170,143
Communications	2,688	2,680
Fuel and oil	30,916	24,648
Supplies	45,104	57,304
Miscellaneous	<u>18,616</u>	<u>1,110</u>
Total transmission and distribution	<u>910,569</u>	<u>805,791</u>
Administrative and general		
Salaries and wages	551,148	545,825
Payroll taxes	35,194	38,781
Compensation insurance	3,968	7,035
Director fees	3,217	2,778
Employee benefits	173,057	198,664
Medical insurance	129,765	130,508
Repairs and maintenance	17,556	14,023
Utilities	15,057	15,034
Communications	21,003	13,880
Office expense	18,984	19,752
Legal and professional costs	58,006	131,131
Insurance	32,716	32,878
Travel, meetings and conventions	15,899	17,182
Dues and assessments	79,276	139,505
Miscellaneous	329,113	301,531
Joint authorities' expense	4,101	104,100
Depreciation and amortization	<u>367,526</u>	<u>377,296</u>
Total administrative and general	<u>1,855,586</u>	<u>2,089,903</u>
Total Operating Expenses	<u>\$ 6,809,451</u>	<u>\$ 6,242,660</u>