GLENN-COLUSA IRRIGATION DISTRICT

AUDITED FINANCIAL STATEMENTS

September 30, 2021 and 2020

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GLENN-COLUSA IRRIGATION DISTRICT

AUDITED FINANCIAL STATEMENTS

September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Glenn-Colusa Irrigation District
Willows, California

Report on the Financial Statements

We have audited the accompanying financial statements of Glenn-Colusa Irrigation District (the District), which comprise the statements of net position as of September 30, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
Glenn-Colusa Irrigation District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2021 and 2020 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, Schedule of Changes in the Net OPEB Liability and Related Ratios and Schedule of Contributions to the OPEB Plan 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information consisting of the statement of pension plan net assets, the pension plan income and expenses, the fair value of the pension plan invested assets, and the pension plan contributions and plan participant information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The pension plan information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

February 16, 2022

Overview

The following management discussion and analysis of the Glenn-Colusa Irrigation District (GCID or District) provides an overview of the financial activities and transactions for fiscal years 2021 and 2020 in the context of the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. This discussion and analysis should be read in conjunction with the District's audited financial statements and accompanying notes.

Financial Reporting

The District's accounting records are maintained in accordance with Generally Accepted Accounting Principles as prescribed by GASB. The financial activities of GCID are accounted for in a single enterprise fund and GCID is financed and operated in a manner similar to that of a private business enterprise. GCID uses the economic resources measurement focus and the accrual basis of accounting. Under this method, all economic assets available are measured, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Description of Basic Financial Statements

Glenn-Colusa Irrigation District operates as a utility enterprise. The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. The statements of net position include all of GCID's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. The statements of revenues, expenses and changes in net position report all of GCID's revenues and expenses during the periods indicated. The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from taxes and investment income, annexation fees, grant funding, cash used for construction projects, as well as cash received and paid out pursuant to various third-party water sales.

- **Statements of Net Position**

  The Statements of Net Position provide information about assets, liabilities, deferred inflows and outflows of resources, and net position of the District at a specific point in time. Assets are economic resources the District owns that have value and can either be sold or used by the District to produce products or services that can be sold. Assets include pumping plants, fish screens, vehicles, equipment, inventory, cash and investments, and customer accounts receivable.

  Liabilities are amounts of money that the District owes to others. This includes money owed to suppliers for materials, payments due to landowners participating in water transfers, deposits from other agencies and amounts due to the District's pension plan.

  A deferred outflow (inflow) is a consumption (acquisition) of net assets that is applicable to a future reporting period.

  Net Position represents the difference between the elements included in the Statements of Net Position: assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.

- **Statements of Revenues, Expenses and Changes in Net Position**

  The Statements of Revenues, Expenses and Changes in Net Position, more commonly known as the Income Statement, provides information regarding the District's operations including income earned and expenses incurred over a one-year period. The bottom line of the statement shows the District's end of year net position.

- **Statements of Cash Flows**

The Statements of Cash Flows reports the District's inflows and outflows of cash. This report provides management with information regarding cash on hand and the ability to pay expenses and purchase assets.

A cash flow statement reflects changes over time rather than absolute dollar amounts at a particular point in time. Cash flow statements are divided into four activities: (1) operating activities; (2) noncapital financing activities; (3) capital financing activities; and (4) investing activities.

1. Operating Activities – analyzes the cash flow from operational activities (operating revenues and expenses). This section of the cash flow statement reconciles the operating revenues to the actual cash GCID received from or used in its operating activities.
2. Noncapital Financing Activities – reflects the cash flows from non-operating activities such as third-party water sales, annexations, and grant activity.
3. Capital Financing Activities – shows the cash flows from all financing activities. Typical cash flows from financing activities include funds received from borrowing, debt service payments, and the purchase and/or sale of capital assets.
4. Investing Activities – reflects the cash flow from all investment activities including investment income and purchases or sales of investment securities.

CONDENSED STATEMENT OF NET POSITION

	September 30,		
	2021	**2020**	**2019**
Assets and Deferred Outflows of Resources:			
Current Assets	$ 53,522,845	$ 21,706,137	$ 20,659,337
Capital Assets Net of Depreciation	$ 43,783,961	$ 43,493,943	$ 45,212,340
Deferred Outflows of Resources	$ 5,645,432	$ 6,037,045	$ 6,079,095
Total Assets & Deferred Outflows of Resources	**$ 102,952,238**	**$ 71,237,125**	**$ 71,950,772**
Liabilities and Deferred Inflows of Resources:			
Current Liabilities	$ 15,261,743	$ 1,248,545	$ 2,148,956
Long-Term Liabilities	$ 5,045,640	$ 6,947,895	$ 7,695,035
Deferred Inflows of Resources (OPEB)	$ 2,372,349	$ 1,957,928	$ 840,230
Total Liabilities and Deferred Inflows of Resources	**$ 22,679,732**	**$ 10,154,368**	**$ 10,684,221**
Net Position:			
Net Position - Investment in Capital Assets	$ 43,783,961	$ 43,493,943	$ 45,212,340
Net Position - Unrestricted	$ 36,488,545	$ 17,588,814	$ 16,054,211
Total Net Position	**$ 80,272,506**	**$ 61,082,757**	**$ 61,266,551**
Total Liabilities, Deferred Inflows and Net Position	**$ 102,952,238**	**$ 71,237,125**	**$ 71,950,772**

Current Assets
Current assets include cash and equivalents, accounts receivable, grants receivable, interest receivable, inventory, and prepaid expenses.

Fiscal Year 2021 Compared to 2020. At September 30, 2021, current assets totaled $53.5 million, an increase of $31.8 million from the prior year. The increase was primarily due to two factors.

First, in January of 2021, the District received a $10.5 million settlement payment related to a dispute with the United States Army Corps of Engineers over the 'Riverbed Gradient Facility.' Please see Note I in the Notes to the Financial Statements for further information.

Second, the District conducted a water transfer program during 2021 that involved District landowners taking actions to make water available for transfer to other entities. Included in current assets as of the end of Fiscal Year 2021 is approximately $8.6 million in receivables related to these transfers due from entities receiving transferred water as well as approximately $15.1 million in cash and equivalents that was received as payment from other entities for transferred water (of which approximately $13.8 million was payable to District landowners as of September 30, 2021, for taking actions to make water available for transfer).

Fiscal Year 2020 Compared to 2019. At September 30, 2020, current assets totaled $21.7 million, an increase of approximately $1.0 million from the prior year. The increase was primarily due to a $1.1 million increase in cash and equivalents which was mostly driven by increased revenue from charges for irrigation water.

Capital Assets Net of Depreciation
Capital assets net of depreciation include construction in progress; plus property, plant and equipment net of all accumulated depreciation.

Fiscal Year 2021 Compared to 2020. At September 30, 2021, net capital assets totaled $43.8 million, an increase of $290,000 from the prior year. During fiscal year 2020-21, a total of $2.4 million was added to construction in progress for seven separate projects, $322,000 was transferred from construction in progress to capital assets, and $1.5 million in capital assets were added (including the transfer from construction in progress). Depreciation for fiscal year 2020-21 totaled $3.3 million.

Fiscal Year 2020 Compared to 2019. At September 30, 2020, net capital assets totaled $43.5 million, a decrease of approximately $1.7 million from the prior year. During fiscal year 2019-20, a total of $502,000 was added to construction in progress for five separate projects, and approximately $1.0 million in capital assets were added. Depreciation for fiscal year 2019-20 totaled $3.3 million.

Deferred Outflows of Resources
Deferred outflows of resources are primarily related to the $9.2 million that GCID paid to the United States Bureau of Reclamation in 2004 to pay off the operations and maintenance deficit that had accrued during the term of the previous Settlement contract. The total is being amortized using the straight-line method over the life of the new contract (40 years, 2005 through 2045). Beginning in fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in additional deferred outflows of resources related to contributions made after the measurement date.

Fiscal Year 2021 Compared to 2020. At September 30, 2021, deferred outflows of resources totaled approximately $5.6 million, a decrease of roughly $400,000 total from the prior year. The decrease is attributable to the amortization of the operations and maintenance deficit payment to the United States Bureau of Reclamation ($231,000) and a $160,000 decrease in deferred outflows of resources related to Other-Post Employment Benefits (OPEB), as explained more fully in Note H to the Financial Statements.

Fiscal Year 2020 Compared to 2019. At September 30, 2020, deferred outflows of resources totaled $6.0 million, a slight decrease from the $6.1 million total from the prior year. The decrease is attributable to the amortization of the operations and maintenance deficit payment to the United States Bureau of Reclamation ($231,000) and a $189,000 increase in deferred outflows of resources related to Other-Post Employment Benefits (OPEB).

Current Liabilities

Current liabilities represent District obligations that are due within one year. They include accounts payable, deposits, and the current portion of long-term liabilities.

Fiscal Year 2021 Compared to 2020. At September 30, 2021, current liabilities totaled $15.3 million, an increase of $14.0 million from the prior year. One primary factor accounted for this increase. The District conducted a water transfer program during 2021 that involved District landowners taking actions to make water available for transfer to other entities. At the close of Fiscal Year 2021, the District had recorded approximately $13.8 million as payable to District landowners for taking actions to make water available for transfer.

Fiscal Year 2020 Compared to 2019. At September 30, 2020, current liabilities totaled $1.2 million, a decrease of $900,000 from the prior year. The main driver of the decrease was a $847,000 decrease in accounts payable.

Long-Term Liabilities

Long-term liabilities include the long-term portion of accrued compensated absences and the other post-employment benefit (OPEB) liability. Accrued compensated absences are accrued benefits such as annual leave and sick leave that are owed to employees and the OPEB liability relates to the District's obligation to provide post-employment health insurance to certain employees.

Fiscal Year 2021 Compared to 2020. At September 30, 2021, the long-term liability total was $5.0 million, a decrease of approximately $1.9 million from the prior year. This decrease was due to a decrease in the OPEB liability of $1.8 million (see Note H) and a decrease in accrued compensated absences of $82,000.

Fiscal Year 2020 Compared to 2019. At September 30, 2020, the long-term liability total was $6.9 million, a decrease of approximately $747,000 from the prior year. This decrease was due to a decrease in the OPEB liability of $784,000 coupled with an increase in accrued compensated absences of $37,000.

Deferred Inflows of Resources

A deferred inflow of resources is defined as an acquisition of net assets by the government that is applicable to a future reporting period.

Fiscal Year 2021 Compared to 2020. At September 30, 2021, deferred inflows of resources totaled $2.4 million, an increase of $400,000 compared to the prior year. The total of deferred inflows of resources as of September 30, 2021, is related to the difference between the expected and actual experience of the OPEB plan and also the net difference between the projected and actual earnings on investments held by the OPEB trust, as described more fully in Note H to the Financial Statements.

Fiscal Year 2020 Compared to 2019. At September 30, 2020, deferred inflows of resources totaled $2.0 million, an increase of $1.1 million compared to the prior year. The total of deferred inflows of resources as of September 30, 2020, is related to the difference between the expected and actual experience of the OPEB plan and also the net difference between the projected and actual earnings on investments held by the OPEB trust, as described more fully in Note H to the Financial Statements.

Net Position – Investment in Capital Assets
The capital asset portion of the net position represents the historical cost of the District's property, plant, and equipment, net of depreciation, plus construction in progress, less any outstanding debt related to the capital assets. The District had no capital asset debt as of September 30, 2021, and therefore, the capital asset portion of the net position was equal to the asset category Capital Assets Net of Depreciation at September 30, 2021, as described above.

Net Position – Unrestricted
Unrestricted net position is a residual measure of equity and is the amount of net position not included in the net investment in capital assets or restricted net position (if any). Unrestricted net position are the District's assets that are usable for any purpose, though the entirety of unrestricted net position may not be in spendable form.

Fiscal Year 2021 Compared to 2020. At September 30, 2021, unrestricted net position was $36.5 million, an increase of $18.9 million over the balance at the end of fiscal year 2020. Two primary factors produced this significant increase in unrestricted net position. First, in January of 2021, the District received a $10.5 million settlement payment related to a dispute with the United States Army Corps of Engineers over the 'Riverbed Gradient Facility.' Please see Note I in the Notes to the Financial Statements for further information. Second, revenue from the District's various water transfer programs exceeded the expenses of those programs by approximately $10.2 million, which in turn increased unrestricted net position by an equivalent amount.

Fiscal Year 2020 Compared to 2019. At September 30, 2020, unrestricted net position was $17.6 million, an increase of $1.5 million over the balance at the end of fiscal year 2019. The increase in net position-unrestricted was due mainly to an increase in cash and equivalents of $1.1 million (that largely resulted from higher revenue from irrigation charges compared to the prior year), coupled with a net decrease in liabilities and deferred inflows of resources of $530,000.

Total Net Position
Total net position is a measure of the District's total equity and is defined as total assets plus deferred outflows of resources less liabilities and less deferred inflows of resources. Alternatively, total net position is the sum of net investment in capital assets, restricted net position (if any), and unrestricted net position.

Fiscal Year 2021 Compared to 2020. The total net position at the end of fiscal year 2021 was $80.3 million, an increase of $19.2 million from the balance at the end of fiscal year 2020. The two primary factors that produced the significant increase in in unrestricted net position (discussed above) also led to nearly all of the increase in total net position.

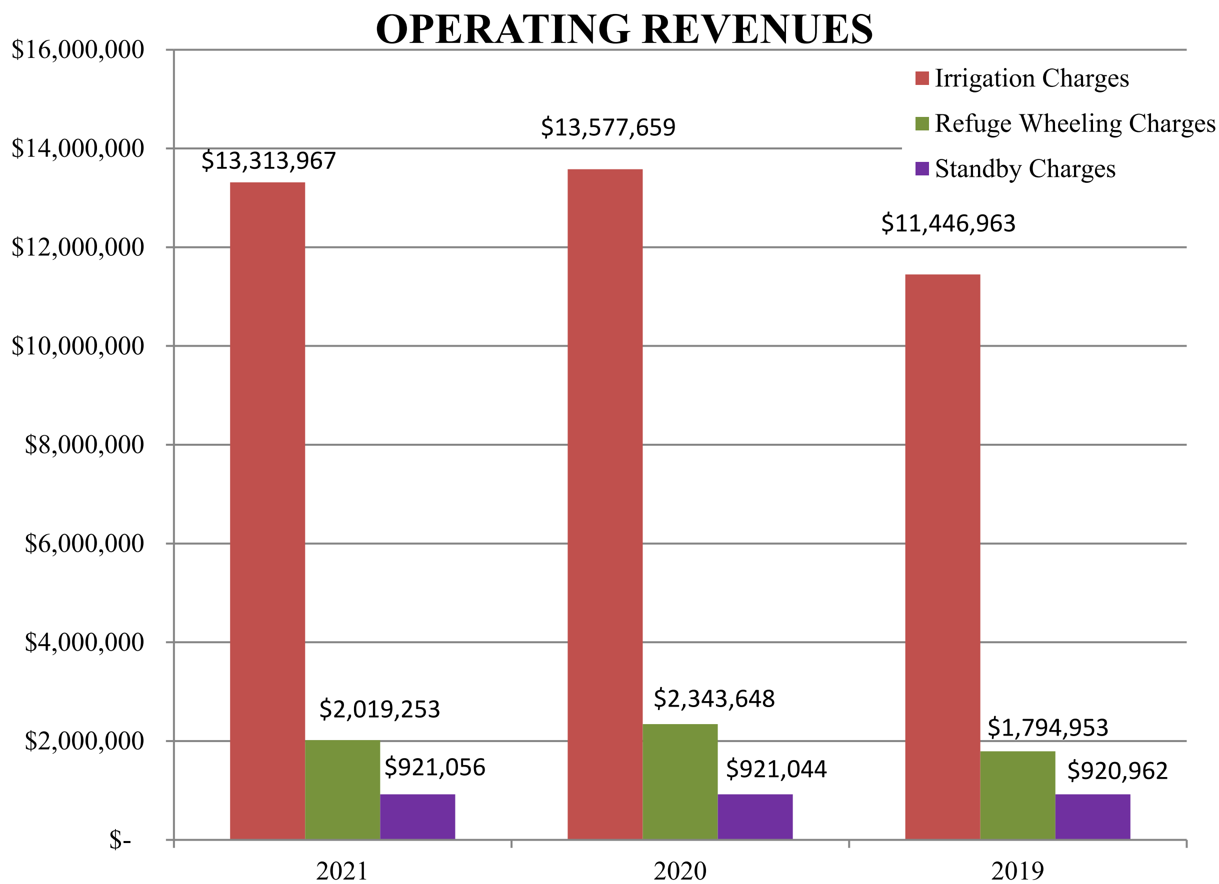
Fiscal Year 2020 Compared to 2019. The total net position at the end of fiscal year 2020 was $61.1 million, a decline of $184,000 from the balance at the end of fiscal year 2019. Though current assets increased by $1.0 million compared to the prior year, depreciation in the amount of $3.3 million and other factors resulted in total assets being reduced by $672,000. A decrease in deferred outflows of resources in the amount of $42,000 along with a net decrease in liabilities and deferred inflows of resources of $530,000 accounts for the balance of the difference.

CONDENSED SCHEDULE OF REVENUES, EXPENSES & CHANGES IN NET POSITION

			September 30,			
		2021		**2020**		**2019**
Operating Revenues						
Irrigation Charges	$	13,313,967	$	13,577,659	$	11,446,963
Refuge Wheeling Charges	$	2,019,253	$	2,343,648	$	1,794,953
Standby Charges	$	921,056	$	921,044	$	920,962
Total Operating Revenues	$	16,254,276	$	16,842,351	$	14,162,878
Nonoperating Revenues - Third Party Water Sales	$	33,797,472	$	911,922	$	742,958
Other Nonoperating Revenues	$	2,257,452	$	2,048,856	$	1,873,073
Total Revenues	**$**	**52,309,200**	**$**	**19,803,129**	**$**	**16,778,909**
Operating Expenses						
Source of Supply	$	5,020,410	$	4,770,144	$	4,015,291
Pumping Plant	$	1,152,540	$	990,405	$	1,092,049
Transmission & Distribution	$	4,655,265	$	4,587,881	$	4,694,649
Administration & General	$	5,873,500	$	6,333,370	$	6,977,779
Depreciation	$	3,277,993	$	3,267,614	$	3,336,886
Total Operating Expenses	$	19,979,708	$	19,949,414	$	20,116,654
Nonoperating Expenses - Third Party Water Sales	$	23,615,186	$	3,191	$	2,510
Nonoperating Expenses - Other	$	24,557	$	34,318	$	41,893
Total Expenses	**$**	**43,619,451**	**$**	**19,986,923**	**$**	**20,161,057**
Extraordinary Item						
Gradient Facility write-off (Note D)					**$**	**(3,603,088)**
Gradient Facility settlement revenue (Note I)	**$**	**10,500,000**				
Change in Net Position	**$**	**19,189,749**	**$**	**(183,794)**	**$**	**(6,985,236)**
Net Position, Beginning of Year	$	61,082,757	$	61,266,551	$	68,251,787
Net Position, End of Year	**$**	**80,272,506**	**$**	**61,082,757**	**$**	**61,266,551**

Operating Revenues

Glenn-Colusa Irrigation District's principal source of revenue is from water sales, which typically account for approximately 80 percent of operating revenues. GCID's primary sources of water are pre-1914 senior water rights and Central Valley Project water diverted from the Sacramento River under the District's Sacramento River Settlement Contract with the United States Bureau of Reclamation. Operating revenues also include a land-based standby charge as well as wheeling revenue the District receives to deliver the Federal Government's water supply to three Federal Wildlife Refuges located within the District's boundary.



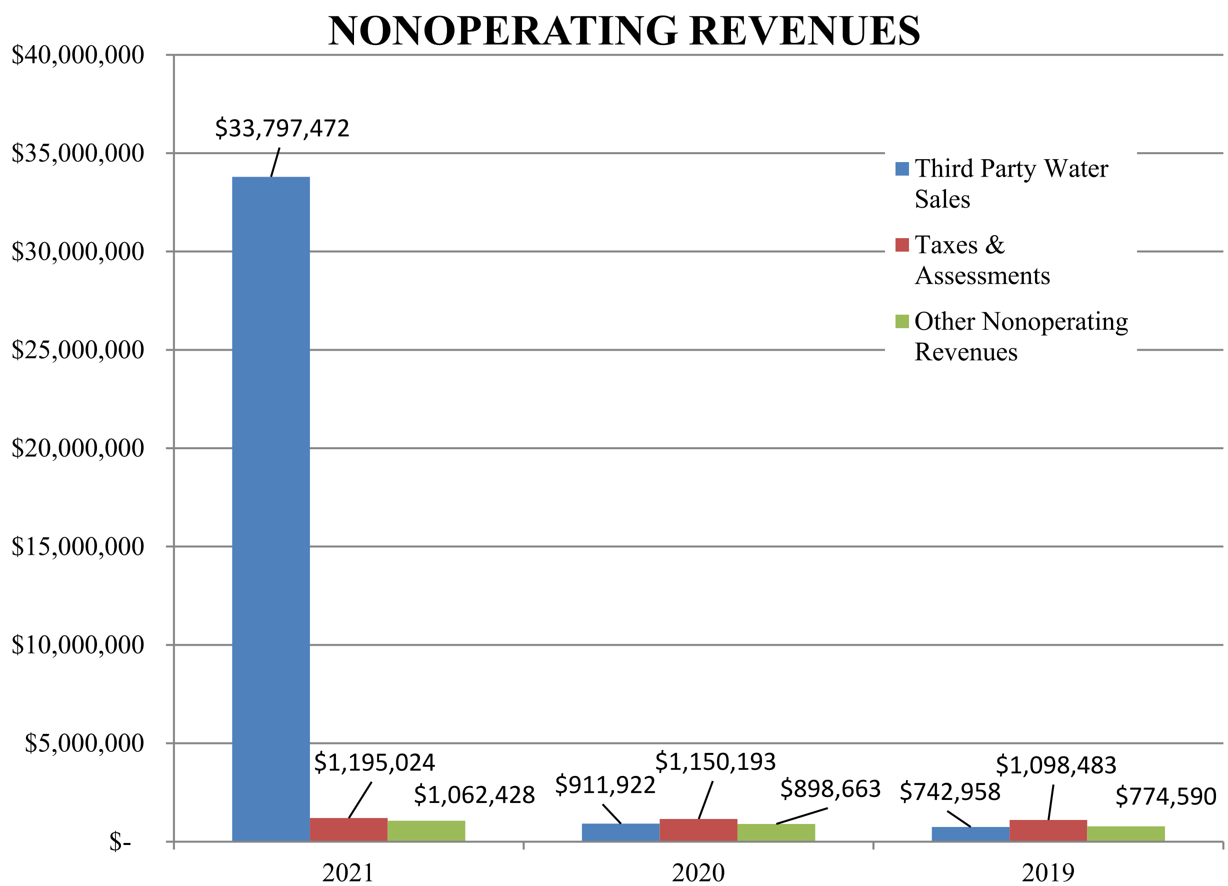
Fiscal Year 2021 Compared to 2020. Fiscal year 2021 operating revenues were $16.3 million, a decrease of $588,000 compared to the prior year. Irrigation revenue decreased by $264,000 from the prior year due to a decrease in the total acreage being cultivated. Fiscal year 2021 was a drought year in which the District's contractual water supply was reduced, so the District had a reduced water supply to provide District landowners and water users. Refuge wheeling charges decreased by $324,000 due to lower overall deliveries to the refuges.

Fiscal Year 2020 Compared to 2019. Fiscal year 2020 operating revenues were $16.8 million, an increase of $2.7 million as compared to fiscal year 2019. Irrigation revenues increased by approximately $2.1 million.

This significant increase in irrigation revenue is due primarily to the following: During very dry years, the District's contractual water supply is reduced by 25% by the Bureau of Reclamation per the terms of the contract. In such years, the District's rate structure for charges for irrigation water to landowners is modified such that the total charges for water per acre under cultivation are higher for most crops than in years when the contractual water supply is not reduced. During the District's water application process, the Bureau of Reclamation had provided notice that the District's contractual water supply would be reduced by 25%, and the modified rate structure was applied. Also, the total acreage of crops planted was higher than in past years when the District's contractual water supply was reduced. Further, the District's Board of Directors implemented a 5% water rate increase in 2020. Together, these factors resulted in the increase in irrigation revenue in 2020 compared to 2019.

Refuge wheeling revenues increased by $549,000 compared to 2019, which can be attributed to dry weather causing the refuges to require greater than normal water deliveries.

Non-operating Revenues
The primary sources of non-operating revenue for GCID are county property taxes, assessments and third-party water sales.



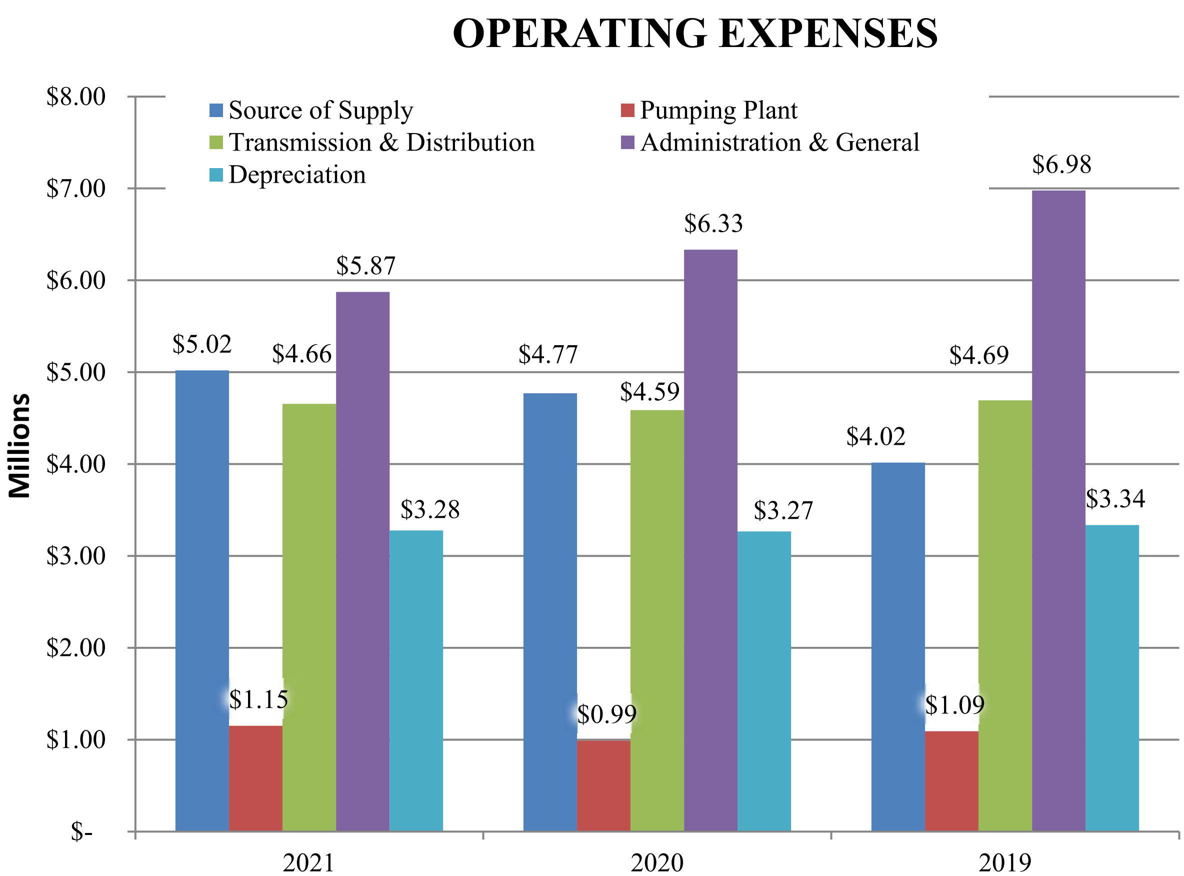
Fiscal Year 2021 Compared to 2020. Non-operating revenues for fiscal year 2021 were $36.1 million, a net increase of $33.1 over fiscal year 2020. This significant increase was principally due to the water transfer programs that the District engaged in during fiscal year 2021. During 2021, District landowners took actions (crop idling and groundwater substitution) that made a significant quantity of water available for transfer to other districts. These transfer programs resulted in $33.6 million in revenue to the District. Also, the water transfer to the Colusa Drain Mutual Water Company resulted in revenue of $242,000, a reduction of $132,000 compared to the prior year. There was little change in the revenue from taxes and assessments and other nonoperating revenues.

Fiscal Year 2020 Compared to 2019. Non-operating revenues for fiscal year 2020 were $3.0 million, a net increase of approximately $345,000 over fiscal year 2019. Third party water sales increased by $169,000, which is the result of two factors. First, the District administered a water transfer program in 2020 that resulted in the transfer of 6,999 acre-feet of water to several neighboring irrigation and water districts. Revenue from this transfer program totaled $480,000. Such a program was not undertaken in 2019. Second, the quantity of water transferred to the Colusa Drain Mutual Water Company was significantly less in 2020 than in 2019, resulting in a decrease in revenue from that transfer of $312,000.

Other non-operating revenue increased by $124,000. This increase was principally caused by a decrease in investment income of $185,000 and an increase miscellaneous non-operating revenue of $356,000. The miscellaneous non-operating revenue includes reimbursements from the Association of California Water Agencies and the Power and Water Resources Pooling Authority that result from prior year true-ups for insurance and power costs, respectively, reimbursements from the Federal Emergency Management Agency, and the cancellation of a check issued the prior fiscal year related to a now-settled legal matter (see Note I to the Financial Statements).

Operating Expenses

Operating expenses fall into five major cost centers: (1) source of supply, (2) pumping plant, (3) transmission and distribution, (4) administration and general, and (5) depreciation.



Fiscal Year 2021 Compared to 2020. Total operating expenses were $20.0 million in fiscal year 2021, an increase of $30,000 from the prior year. Source of supply expenses increased by $250,000 due mainly to an increase in the cost of Central Valley Project water from the United States Bureau of Reclamation. Administration and general expenses decreased by $460,000, due mostly to a decrease in legal fees and a decrease in other post-employment benefit expenses (see Note H for further information). Smaller decreases in expenses related to pumping plant, transmission and distribution, and depreciation account for the balance. The other three operating expense categories (pumping plant, transmission & distribution, and depreciation) each increased slightly year over year.

Fiscal Year 2020 Compared to 2019. Total operating expenses were $19.9 million in fiscal year 2020, a decrease of $167,000 from fiscal year 2019. Source of supply expenses increased by $755,000 due mainly to an increase in the cost of Central Valley Project water from the United States Bureau of Reclamation. Administration and general expenses decreased by $644,000, due mostly to a decrease in legal fees and a variety of other factors. Smaller decreases in expenses related to pumping plant, transmission and distribution, and depreciation account for the balance.

Non-operating Expenses
Non-operating expenses include interest expenses, third party water transfer expenses, cost of sales to landowners and employees and grant expenses.

NON-OPERATING EXPENSES

	September 30, 2021	2020	2019
Third Party Water Sales	$ 23,615,186	$ 3,191	$ 2,510
Other Non-operating Expenses	$ 24,557	$ 34,318	$ 41,893
	$ 23,639,743	**$ 37,509**	**$ 44,403**

Fiscal Year 2021 Compared to 2020. Expenses related to third party water sales increased by $23.6 million in fiscal year 2021 compared to the prior year. During 2021, District landowners took actions (crop idling and groundwater substitution) that made a significant quantity of water available for transfer to other districts. The $23.6 million in third party water sales expenses almost exclusively represents payments the District made to landowners who took actions to make water available for transfer.

Fiscal Year 2020 Compared to 2019. Non-operating expenses in fiscal year 2020 did not change significantly from fiscal year 2019.

Currently Known Facts
Issues that are currently known that could have an impact on the financial position of the District include a proposed assessment and potential related changes to the District's water rates, the water supply outlook, maintenance of the Gradient Facility, and ongoing litigation related to the District's Settlement Contract.

Proposed Assessment and Potential Related Changes to Water Rates
On December 29, 2021, the District provided notice to landowners of a ballot proceeding for a proposed increase to the District's assessment. The ballot proceeding is being conducted in accordance with relevant California law. The public hearing on the proposed assessment is scheduled for February 17, 2022. If landowners approve the proposed assessment, the District will be granted the authority to increase the assessment on deeded acreage within the District from a current total of approximately $250,000 District-wide to approximately $4.5 million in the first year of implementation (fiscal year 2022-23).

The proposed assessment is intended to generate revenue sufficient to recover the annual cost of the District's Sacremento River Settlement Contract (SRSC). The maximum potential assessment increases annually by approximately five percent each year through the end of the existing SRSC (2045). However, if costs related to the SRSC are less than estimated, the assessment may be set lower the maximum amount included in the proposal.

If the proposed assessment is approved by landowners, water rates will be reduced below their current level for some time and would remain lower than they would be absent the assessment. The District's goal in proposing the assessment is not to collect more revenue from landowners than would otherwise be collected, but rather to increase the proportion from the assessment (which is stable) and decrease the proportion from water rates (which is more variable). If landowners do not approve the proposed assessment, the District will need to seek authority from landowners for water rate increases that would be effective during fiscal year 2022-23, although the magnitude of the potential increase is not known at this time.

Water Supply Outlook

Current projections of the inflow to Shasta Lake for the water year that began October 1, 2021, indicate that it is likely that the District will have its water supply reduced by 25% under the terms of its contract with the United States Bureau of Reclamation.

Gradient Facility

The Gradient Facility is a group of improvements to the channel of the Sacramento River near the District's pumping facility that are intended to preserve the elevation of the river so as to permit the normal operation of the pumping facility. The District received a settlement in the amount of $10.5 million from the United States Army Corps of Engineers in 2021 that the District will use for the maintenance and improvement of the Gradient Facility (see Note I). The District is currently undertaking work for the preliminary design of any gradient facility maintenance and improvements. However, at this time, the scope of the potential maintenance and improvements, their potential cost, and an estimated timeline for any maintenance activities or construction has not been determined.

GCID's Sacramento River Settlement Contract

The District executed a renewal of its Sacramento River Settlement Contract in January 2005 and is now operating under the terms of the new contract. The term of the District's renewal contract is 40 years. Various environmental groups have directly and indirectly challenged the Sacramento River Settlement Contracts by filing suit against the Federal Government's environmental review, which was an integral part of the renewal process. The District will continue to operate under the terms and conditions of the renewal contract while the legal issues are resolved. At this time, it is unknown what impact, if any, these legal challenges may ultimately have on the District's renewal contract.

Financial Contact

This financial report is intended to provide the District's customers, creditors, investors and other interested parties an overview of the District's financial operations and financial condition. Should the reader have questions regarding information included in this report, or wish to request additional financial information, please contact the Glenn-Colusa Irrigation District Finance Director at P.O. Box 150, Willows, California 95988.

GLENN-COLUSA IRRIGATION DISTRICT

STATEMENTS OF NET POSITION

September 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 42,792,907	$ 19,458,143
Accounts receivable	311,070	196,811
Due from other governments	9,563,281	1,268,283
Assessments receivable	236,060	226,783
Interest receivable	22,428	43,361
Inventory	395,610	264,587
Prepaid expenses	201,489	248,169
TOTAL CURRENT ASSETS	53,522,845	21,706,137
CAPITAL ASSETS		
Not being depreciated	4,315,827	2,240,042
Being depreciated	39,468,134	41,253,901
TOTAL CAPITAL ASSETS, NET	43,783,961	43,493,943
TOTAL ASSETS	97,306,806	65,200,080
DEFERRED OUTFLOW OF RESOURCES		
CVP O&M deficit - contract renewal, net	5,350,518	5,581,713
Related to OPEB	294,914	455,332
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,645,432	6,037,045
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	610,983	460,782
Water Purchases Payable	13,843,234	
Regional Plan participants payable	41,221	47,078
Accrued payroll and benefits payable	196,401	193,766
Due to pension plan	33,768	31,709
Deposits	18,780	83,215
Current portion of accrued compensated absences	517,356	431,995
TOTAL CURRENT LIABILITIES	15,261,743	1,248,545
LONG-TERM LIABILITIES		
Accrued compensated absences	85,526	167,690
Other-post employment benefits (OPEB) obligation	4,960,114	6,780,205
TOTAL LONG-TERM LIABILITIES	5,045,640	6,947,895
TOTAL LIABILITIES	20,307,383	8,196,440
DEFERRED INFLOWS OF RESOURCES		
Related to OPEB	2,372,349	1,957,928
NET POSITION		
Net investment in capital assets	43,783,961	43,493,943
Unrestricted	36,488,545	17,588,814
TOTAL NET POSITION	$ 80,272,506	$ 61,082,757

The notes to the financial statements are an integral part of this statement.

GLENN-COLUSA IRRIGATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the years ended September 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Irrigation charges	$ 13,313,967	$ 13,577,659
Refuge wheeling charges	2,019,253	2,343,648
Standby charges	921,056	921,044
TOTAL OPERATING REVENUES	16,254,276	16,842,351
OPERATING EXPENSES		
Source of supply	5,020,410	4,770,144
Pumping plant	1,152,540	990,405
Transmission and distribution	4,655,265	4,587,881
Administration and general	5,873,500	6,333,370
Depreciation	3,277,993	3,267,614
TOTAL OPERATING EXPENSES	19,979,708	19,949,414
NET LOSS FROM OPERATIONS	(3,725,432)	(3,107,063)
NON-OPERATING REVENUE (EXPENSES)		
Taxes and assessments	1,195,024	1,150,193
Investment income	41,538	346,259
Other non-operating revenue	963,474	493,899
Third party water sales	33,797,472	911,922
In-basin water transfers		9,361
Third party water purchase	(23,615,186)	(3,191)
Gain on sales of capital assets	57,416	49,144
Other non-operating expense	(24,557)	(34,318)
TOTAL NON-OPERATING REVENUES (EXPENSES)	12,415,181	2,923,269
EXTRAORDINARY ITEM		
Gradient facility settlement revenue - Note I	10,500,000	
CHANGE IN NET POSITION	19,189,749	(183,794)
Net position, beginning of year	61,082,757	61,266,551
NET POSITION AT END OF YEAR	$ 80,272,506	$ 61,082,757

The notes to the financial statements are an integral part of this statement.

GLENN-COLUSA IRRIGATION DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 16,054,210	$ 16,713,412
Cash paid to suppliers for goods and services	(11,623,769)	(12,644,045)
Cash paid to employees for services	(5,869,275)	(4,470,819)
NET CASH USED BY OPERATING ACTIVITIES	(1,438,834)	(401,452)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	1,185,747	1,138,735
Third party water sales received	25,369,010	862,539
Third party water purchases paid	(9,771,952)	
In-basin water transfers revenue received		9,361
Other nonoperating revenue received	963,474	540,562
Settlement received	10,500,000	
Nonoperating expense paid	(24,557)	(37,509)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	28,221,722	2,513,688
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(3,568,011)	(1,474,217)
Proceeds from sale of capital assets	57,416	49,144
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,510,595)	(1,425,073)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	62,471	417,530
NET CASH PROVIDED BY INVESTING ACTIVITIES	62,471	417,530
INCREASE IN CASH	23,334,764	1,104,693
Cash and cash equivalents at beginning of year	19,458,143	18,353,450
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 42,792,907	$ 19,458,143

(Continued)

GLENN-COLUSA IRRIGATION DISTRICT

STATEMENTS OF CASH FLOWS (Continued)

For the years ended September 30, 2021 and 2020

	2021	2020
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss from operations	$ (3,725,432)	$ (3,107,063)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation and amortization	3,277,993	3,267,614
Amortization	231,195	231,195
Changes in operating assets and liabilities:		
Accounts receivables	(114,259)	(43,443)
Due from other governments	133,464	244,985
Inventory	(131,023)	(93,520)
Prepaid expenses	46,680	(182,222)
Deferred outflows related to OPEB	160,418	(189,145)
Accounts payable	150,201	(847,476)
Regional Plan participants payable	(5,857)	16,705
Accrued payroll and benefits payable	2,635	5,245
Due to pension plan	2,059	(18,721)
Deposits	(64,435)	(5,349)
Other post-employment benefits	(1,820,091)	(784,177)
Compensated absences payable	3,197	(13,778)
Deferred inflows related to OPEB	414,421	1,117,698
NET CASH USED BY OPERATING ACTIVITIES	$ (1,438,834)	$ (401,452)

The notes to the financial statements are an integral part of this statement.

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Glenn-Colusa Irrigation District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. When GASB does not provide guidance on a particular issue, the District follows Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The more significant of the District's accounting policies are described below.

Reporting Entity: The Glenn-Colusa Irrigation District was organized on March 2, 1920, as a successor to several public and private irrigation projects dating back to 1887. The District is organized and operated under authority of the California Water Code. The District provides water for irrigation purposes to an area of approximately 170,000 gross acres.

Joint Powers Authorities: The District is in three joint ventures under joint powers agreements (JPAs):

- Sites Project Joint Powers Authority (SPJPA), which is described in Note K
- Power and Water Resources Pooling Authority (PWRPA) manages power assets and loads
- Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) provides insurance coverage for health, general and auto liability, errors and omissions, property, boiler and machinery, employee dishonesty and workers' compensation.

The JPAs are governed by boards consisting of representatives from member districts. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. In the event of the dissolution of SPJPA or PWRPA, the District will receive a pro-rata share of the assets and liabilities of these organizations. In the event of the dissolution of ACWA/JPIA, the District is only liable for unpaid insurance premiums and is neither entitled to nor obligated for any assets or liabilities of ACWA/JPIA. Annual audited financial information can be obtained by contacting each JPA's management.

During the years ended September 30, 2021 and 2020, the District paid PWRPA $1,517,660 and $1,113,850, respectively. These payments are made based on pro-forma budgeted rates, which are reconciled to actual costs.

Basis of Presentation: The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, 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 where the governing body has decided that period determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position represents the amount available for future operations.

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the fund are included on the balance sheet. Net position is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The District uses the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the District may fund certain programs with a combination of cost-reimbursement grants and general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments: For the purposes of the Statement of Cash Flows, the District's cash and cash equivalents include cash on hand or on deposit, and demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables: Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable, and estimated refunds due. The District reports utilities, reimbursements, and interest earnings as major receivables. No allowance was deemed necessary at September 30, 2021 and 2020. The District conducted a significant water transfer program in fiscal year 2020-21, which resulted in a large amount being recorded as due from other governments as of September 30, 2021.

Property Taxes: Property tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The Counties of Glenn and Colusa levy, bill and collect property taxes for the District. Under the County's "Teeter Plan", the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Property tax revenues are recognized by the District in the fiscal year they are assessed. Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on January 1. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items: Inventories consist primarily of materials and supplies used in the maintenance and improvement of the District's irrigation system. Inventories are valued using an average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets: Capital assets are valued at historical cost. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are currently defined by the District as assets with an initial individual cost of more than $15,000 and an estimated useful life in excess of one year. Land acquisitions are capitalized regardless of the amount. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is provided over the useful lives of assets using the straight-line method. Estimated useful lives of depreciable assets range from 3 to 50 years.

Compensated Absences: The District policy allows employees to accumulate earned but unused annual leave (up to a maximum of 60 days), which will be paid to employees upon separation from the District's service. The cost of annual leave is recognized in the period earned.

Net Position: The net position amount is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the District's OPEB plan as described in Note H, and the CVP O&M deficit as described in Note C.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements: In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* This Statement addresses a number of practice issues identified during the implementation of certain GASB Statements, including 1) the applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans,* as amended, to the reporting assets accumulated for postemployment benefits; 2) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements; 3) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 4) reporting by public entity and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. This Statement is applicable for item 4 above upon its issuance and is effective for the other items above for reporting periods beginning after June 15, 2021.

The District is currently analyzing the impact of the required implementation of this new statement.

NOTE B – CASH AND INVESTMENTS

Cash and cash equivalents consisted of the following at September 30:

		2021	2020
Cash on hand		$ 100	$ 100
Deposits with financial institutions		257,540	297,015
	Total cash	257,640	297,115
Local Agency Investment Fund		42,535,267	19,161,028
	Total investments	42,535,267	19,161,028
	Total cash and investments	$ 42,792,907	$ 19,458,143

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the year ended September 30, 2021, the District's permissible investments included in the following instruments:

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum % Holdings	Maximum % per Issuer
Securities of the U.S. Government	5 years	100%	100%
Securities of the U.S. Government Agencies and Instrumentalities	5 years	100%	50%
Registered State Warrants, Treasury Notes or Bonds of the State of California	5 years	25%	10%
Registered Treasury Notes or Bonds of other states in the United States	5 years	25%	10%
Bonds, Notes, Warrants or Other Evidences of Indebtedness of any Local Agency within the State of California	5 years	30%	10%
Commercial Paper	270 days	25%	5%
Corporate or Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	5%
Bonds of Supranationals	5 years	15%	5%
Negotiable Certificates of Deposit	1 year	20%	5%
Repurchase Agreements	1 year	15%	5%
Bankers' Acceptances	180 days	25%	5%
Local Agency Investment Fund	N/A	100%	N/A
Collateralized Bank Deposits	N/A	100%	100%
Asset-Backed Securities	5 years	20%	5%

The District complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment in LAIF has an average maturity of 321 days as of September 30, 2021 and 169 days as of September 30, 2020.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk: The investment policy of the District limits the amount that can be invested by any one issuer to those limits specified in the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

NOTE B – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure of custodial risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must be equal to 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 September 30, 2021, the carrying amount of the District’s deposits was $257,540 and the balances in financial institutions was $710,436 of which $460,436 was not covered by federal depository insurance. At September 30, 2020, the carrying amount of the District’s deposits was $297,015 and the balances in financial institutions was $311,434. The total amount of $61,434 in the financial institutions was covered by federal depository insurance.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. 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 fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – CVP O&M DEFICIT

As part of the District’s 2004 Central Valley Project Sacramento River Settlement Contract renewal with the United States Bureau of Reclamation (Bureau), the District was required to fund its share of the Operations and Maintenance deficit that had accumulated during the term of the previous contract. The District decided to fund this obligation in a lump-sum amount as opposed to making payments over the term of the new contract, with interest charges accumulating on the unpaid balance. During the fiscal year ended September 30, 2004, the District deposited a total of $9,697,352 with the Bureau for this purpose. During the fiscal year ended September 30, 2005, it was determined that the District had paid $449,545 more than required for the contract renewal and this amount was refunded to the District. The revised charge of $9,247,807 is being amortized, using the straight-line method, over the life of the new contract and is reported as a deferred outflow of resources on the Statement of Net Position. The new contract, executed on April 1, 2005, will remain in effect until March 31, 2045.

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Balance at October 1, 2020	Additions	Write-offs/ Disposals	Transfers	Balance at September 30, 2021
Capital assets, not being depreciated:					
Land and other land rights	$ 520,410				$ 520,410
Construction in progress	1,719,632	$ 2,397,468		$ (321,683)	3,795,417
Total capital assets, not being depreciated	2,240,042	2,397,468		(321,683)	4,315,827
Capital assets, being depreciated:					
Fish screen and related improvements	40,422,733				40,422,733
Source of supply	2,743,483				2,743,483
Pumping plant	14,398,435	842,454	$ (75,812)	321,683	15,486,760
Transmission and distribution	34,590,733	105,042			34,695,775
General plant	7,228,705	22,446			7,251,151
Equipment	6,438,135	200,601	(158,250)		6,480,486
Total capital assets being depreciated	105,822,224	1,170,543	(234,062)	321,683	107,080,388
Less: accumulated depreciation:					
Fish screen and related improvements	(15,521,707)	(1,350,336)			(16,872,043)
Source of supply	(2,274,490)	(66,305)			(2,340,795)
Pumping plant	(11,158,358)	(495,087)	75,812		(11,577,633)
Transmission and distribution	(24,324,413)	(909,739)			(25,234,152)
General plant	(6,743,942)	(77,573)			(6,821,515)
Equipment	(4,545,413)	(378,953)	158,250		(4,766,116)
Total accumulated depreciation	(64,568,323)	(3,277,993)	234,062		(67,612,254)
Total capital assets being depreciated, net	41,253,901	(2,107,450)		321,683	39,468,134
CAPITAL ASSETS, NET	$ 43,493,943	$ 290,018	$ -	$ -	$ 43,783,961

NOTE D – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance at October 1, 2019	Additions	Deletions	Balance at September 30, 2020
Capital assets, not being depreciated:				
Land and other land rights	$ 520,410			$ 520,410
Construction in progress	1,217,554	$ 502,078		1,719,632
Total capital assets, not being depreciated	1,737,964	502,078		2,240,042
Capital assets, being depreciated:				
Fish screen and related improvements	40,422,733			40,422,733
Source of supply	2,546,062	197,421		2,743,483
Pumping plant	14,244,093	245,368	$ (91,026)	14,398,435
Transmission and distribution	34,541,404	49,329		34,590,733
General plant	7,170,339	58,366		7,228,705
Equipment	6,177,388	496,655	(235,908)	6,438,135
Total capital assets being depreciated	105,102,019	1,047,139	(326,934)	105,822,224
Less: accumulated depreciation:				
Fish screen and related improvements	(14,168,457)	(1,353,250)		(15,521,707)
Source of supply	(2,228,622)	(45,868)		(2,274,490)
Pumping plant	(10,839,590)	(409,794)	91,026	(11,158,358)
Transmission and distribution	(23,334,764)	(989,649)		(24,324,413)
General plant	(6,647,288)	(96,654)		(6,743,942)
Equipment	(4,408,922)	(372,399)	235,908	(4,545,413)
Total accumulated depreciation	(61,627,643)	(3,267,614)	326,934	(64,568,323)
Total capital assets being depreciated, net	43,474,376	(2,220,475)		41,253,901
CAPITAL ASSETS, NET	$ 45,212,340	$ (1,718,397)	$ -	$ 43,493,943

Fish Screen and Related Improvements: During the fiscal year ended September 30, 2005, the District capitalized and began depreciating Fish Screen and Related Improvement costs previously included as a component of Construction in Progress. The costs capitalized in 2005 totaled $20,223,428. During the fiscal year ended September 30, 2012, the District capitalized an additional $1,332,521 in project costs.

On December 15, 2011, the District's Board of Directors executed an agreement with the United States Department of Interior, Bureau of Reclamation to transfer title to improvements made to the District's Fish Screen and Fish Screen Recovery Facility associated with the Hamilton City Pumping Plant. In the agreement, the United States transferred all rights, title, and interest in the Fish Screen and Fish Screen Recovery Facilities.

However, the District has not received ownership title to the Gradient Facility improvements, which are a significant component of this overall project. During the year ended September 30, 2019, the District's attorneys have advised the District it will not receive ownership title to the Gradient Facility improvements. As a result, costs incurred by the District on the Gradient Facility improvements recorded as construction in progress as of September 30, 2019 totaling $1,177,779 and previously capitalized costs

NOTE D – CAPITAL ASSETS (Continued)

related to the Fish Screen Improvement project totaling $4,850,618, and related depreciation of $2,425,309, were also written off. The District received a settlement payment of $10,500,000 during the year ended September 30, 2021. Additional information regarding the Gradient Facility improvements is contained in Note I.

NOTE E – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2021:

	October 1, 2020	Additions	Reductions	September 30, 2021	Due Within One Year
Compensated absences	$ 599,685	$ 451,414	$ (448,217)	$ 602,882	$ 517,356
Other post-employment benefits	6,780,205	796,348	(2,616,439)	4,960,114	
Total Long-Term Liabilities	$ 7,379,890	$ 1,247,762	$ (3,064,656)	$ 5,562,996	$ 517,356

The following is a summary of changes in long-term liabilities for the year ended September 30, 2020:

	October 1, 2019	Additions	Reductions	September 30, 2020	Due Within One Year
Compensated absences	$ 613,463	$ 458,264	$ (472,042)	$ 599,685	$ 431,995
Other post-employment benefits	7,293,712	807,014	(1,320,521)	6,780,205	
Total Long-Term Liabilities	$ 7,907,175	$ 1,265,278	$ (1,792,563)	$ 7,379,890	$ 431,995

NOTE F – NET POSITION

Designations: Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. Designations included the following as of September 30:

	2021	2020
Water Supply Protection and Regional Sustainability Reserve	$ 2,000,000	$ 2,000,000
USBR Cost Reserve	5,000,000	5,000,000
Vehicle, Equipment, and Capital Replacement Reserve	3,500,000	3,500,000
Operations Reserve	25,968,646	7,088,814
Total Unrestricted Net Position	$ 36,468,646	$ 17,588,814

The designations are for the following:

Designated for Water Supply Protection and Regional Sustainability Reserve represents an account established to provide a source of funding for defending the District's Sacramento River Settlement Contract, water transfer monitoring and mitigation, development of groundwater supplies, fishery restoration efforts, and Sites Reservoir development.

NOTE F – NET POSITION (Continued)

Designated for U.S. Bureau of Reclamation Cost Reserve represents an account established to earmark funds to cover the extraordinary costs related to reductions in the District's water supply in a Shasta Critical year. Shasta Critical years result in dramatically increased costs from the District's contract with the Bureau of Reclamation which are unavoidable by the District.

Designated for Vehicle, Equipment, and Capital Replacement and Improvement Reserve represents an account established to earmark funds for the regular repair and replacement of machinery, other rolling stock, a variety of both mechanical and computer equipment, and capital infrastructure.

Designated for Operations Reserve represents an account established to provide for the cash flow needs of the District, to provide funds as necessary for purposes not contemplated by the other District Reserves, and to finance any loss resulting from District operations.

NOTE G – PENSION PLAN

The District is the sponsor of a defined contribution retirement plan that covers all eligible full-time employees of the District with at least one year of credited service. The District contributed 10.0% of the participants' annual base salary to the plan in 2021 and 2020. The nature of a defined contribution retirement plan is not to guarantee a specific retirement benefit but to define an annual contribution to the plan for each employee. Total District contributions to the plan during the years ended September 30, 2021 and 2020 were $389,850 and $377,934, respectively.

Employee (participant) vesting provisions under the plan are as follows:

Years of Credited Service	Percent Vested
Less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Plan forfeitures can occur when a participant separates from employment with the District before the participant's account is fully vested. Forfeitures incurred during a plan year are used to reduce the District's contributions to the plan for the next following plan year. Forfeitures totaled $13,506 and $8,350 during the years ended September 30, 2021 and 2020, respectively.

NOTE H – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Description of the Plan: The District administers a single-employer defined benefit other postemployment healthcare (OPEB) plan providing health plan coverage to eligible retired employees and their eligible dependents. Employees hired by the District prior to March 1, 2005, and Directors whose first term began prior to January 1, 1995, are eligible for the benefits. The District offers retirees the option to obtain coverage under the same medical plans as its active employees if such coverage is offered by the plan, with the eligible participants and the District sharing the cost of the coverage in approximately the same proportions as active employees and the District. Health insurance benefits are

NOTE H – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

payable for the lifetime of the retiree, subject to the retiree making any required monthly contributions. Employees become eligible to retire and receive healthcare benefits after age 65 unless an earlier retirement is approved by the Board, as provided for by the District's "Policies and Rules" employee manual. The OPEB Plan does not issue a publicly available financial report.

Employees Covered by Benefit Terms: As of the valuation dates, the following current and former employees were covered by the benefit terms:

	2021	2020
Inactive employees or beneficiaries currently receiving benefit payments	30	28
Active employees	34	39
Total	64	67

Contributions: The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The District has a trust with Public Agency Retirement Services (PARS) for the purpose of prefunding obligations for past services. The District's funding policy, starting with the year ended September 30, 2020, provides for contributions to the trust of at least $100,000, annually. During the fiscal year ended September 30, 2021 and 2020, the District's benefit payments were $308,287 and $293,620, respectively. Contributions of $414,000, of which $310,633 was withdrawn to cover premium payments for retirees, and $100,000 were made to the trust during the years ended September 30, 2021 and 2020, respectively.

Net OPEB Liability: The District's net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions: The total OPEB liability in the September 30, 2021, and 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2021	2020
Valuation date	September 30, 2021	October 1, 2019
Measurement date	September 30, 2021	September 30, 2020
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuarial assumptions:		
Discount rate	5.75%	6.0%
Salary increases	2.75% per year	3.0% per year
Inflation rate	2.50%	2.25%
Healthcare trend rate	(2)	(1)

(1) 7% for 2019-20 decreasing to 5% for 2021-22 and after

(2) 4% for 2020-21

Mortality rates in the September 30, 2021, valuation was based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

NOTE H – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Retirement rates in the September 30, 2021, valuation was based on the 2017 CalPERS 2.0%@60 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover rate tables in the September 30, 2021, valuation was based on the 2017 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and established tables that are appropriate for each pool.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 5.75%.

Discount Rate: The discount rate used to measure the total OPEB liability was 5.75% and 6% for the years ended September 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability: The changes in the net OPEB liability for the plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at September 30, 2020	$ 11,105,527	$ 4,325,322	$ 6,780,205
Changes in the year:			
Service cost	119,395		119,395
Interest	658,947		658,947
Differences between expected and actual experience	(965,286)		(965,286)
Changes in assumptions	(271,190)		(271,190)
Contributions - employer		468,932	(468,932)
Expected investment income, net of investment expense		911,031	(911,031)
Administrative expenses		(18,006)	18,006
Benefit payments (including implied subsidy)	(365,565)	(365,565)	-
Net changes	(823,699)	996,392	(1,820,091)
Balance at September 30, 2021 (measurement date September 30, 2021)	$ 10,281,828	$ 5,321,714	$ 4,960,114

NOTE H – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at September 30, 2019	$ 11,336,984	$ 3,772,602	$ 7,564,382
Changes in the year:			
Service cost	115,917		115,917
Interest	677,616		677,616
Differences between expected and actual experience	(1,860,781)		(1,860,781)
Changes in assumptions	615,750		615,750
Contributions - employer		438,762	(438,762)
Expected investment income, net of investment expense		317,776	(317,776)
Adjustment for change in measurement date	558,803	148,425	410,378
Administrative expenses		(13,481)	13,481
Benefit payments (including implied subsidy)	(338,762)	(338,762)	-
Net changes	(231,457)	552,720	(784,177)
Balance at September 30, 2020 (measurement date September 30, 2018)	$ 11,105,527	$ 4,325,322	$ 6,780,205

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net 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 discount rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Net OPEB liability	$ 6,233,441	$ 4,960,114	$ 3,889,888

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	$ 3,793,393	$ 4,960,114	$ 6,356,009

OPEB Plan Fiduciary Net Position: PARS issues a publicly available financial report that may be obtained from the Public Agency Retirement Services, 4350 Von Karman Ave, Newport Beach, CA 92660.

NOTE H – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended September 30, 2021 and 2020, the District recognized OPEB expense of ($776,320) and $583,138, respectively. At September 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 294,914	$ (158,194)	$ 455,332	
Difference between expected and actual experience		(1,594,485)		$ (1,796,544)
Net differences between projected and actual earnings on plan investments		(619,670)		(161,384)
Total	$ 294,914	$ (2,372,349)	$ 455,332	$ (1,957,928)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	$ 160,418	$ (1,330,825)
2023	134,496	(765,361)
2024		(146,376)
2025		(129,787)
	$ 294,914	$ (2,372,349)

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 3.8 years at September 30, 2020 and 2.4 years at September 30, 2021.

NOTE I – POTENTIAL CLAIM OR LITIGATION – GRADIENT FACILITY

The District was the plaintiff in an ongoing dispute with the United States Army Corps of Engineers (COE) regarding the Riverbed Gradient Facility for the Sacramento River at the Glenn-Colusa Irrigation District Intake (GF). The parties have reached a settlement in this case. A settlement agreement was executed by both parties on November 19, 2020. Per the settlement agreement, the District received a payment of $10.5 million and the COE considers satisfied any cost-share obligation or other debt owed to the United States by the District for the construction of the GF. The District filed a Notice of Dismissal with the District Court, and the matter is considered resolved.

NOTE J – SIGNIFICANT CALIFORNIA LEGISLATION – WATER METERING

Senate Bill (SB) X7-7 was enacted by the California legislature in November 2009, requiring all water suppliers to increase water use efficiency. The law requires that agricultural water suppliers, in exceedance of 10,000 irrigable acres, prepare and adopt agricultural water management plans by December 31, 2012, and update those plans by December 31, 2015, and every five years thereafter.

The law further required that on or before July 31, 2012, agricultural water suppliers shall (1) measure the volume of water delivered to customers and (2) adopt a pricing structure for water customers based at least in part on quantity delivered and (3) implement additional efficient management practices. Agencies found to be out of compliance with the legislative requirements are not eligible for state water grants or loans.

The District was previously one of the plaintiffs in a writ of mandamus action filed on February 10, 2015, to challenge a decision by the CA Commission on State Mandates that denied the District's and the other plaintiffs' claims for reimbursement for their costs to comply with the SB X7-7 agricultural water management measurement requirements. (Paradise Irrigation District, et al. v. Commission on State Mandates, et al., Sacramento County Superior Court Case No. 34-2015-80002016.) The District and the other plaintiffs claimed that the measurement requirements constitute an unfunded state mandate, and as such, they are entitled to reimbursement under the California Constitution and related statutory provisions.

On February 8, 2016, the trial court issued its final decision denying the petition. In April 2016, the District again joined with the other districts and appealed the trial court's denial of the petition to the California Court of Appeal, Third Appellate District (Case No. CO81929). On March 20, 2019, the court of appeal issued its Amended Opinion affirming the trial court's decision, and on June 19, 2019, the California Supreme Court denied review of the court of appeal's decision. Accordingly, the District and the other districts did not prevail. As a result, the District will continue to be responsible for the costs to comply with the measurement requirements and will need to consider any changes in water rates that may be necessary to cover the costs of compliance.

Pursuant to SB X7-7, the District adopted its Agricultural Water Management Plan (AWMP) on February 14, 2013 and continues to install SB X7-7 compliant measurement devices within the District. As part of the SB X7-7 requirements, the District prepares 5 year updates to the AWMP. The last AWMP was submitted to the Department of Water Resources in April, 2021.

NOTE K – SITES PROJECT JOINT POWERS AUTHORITY

The District is a member of the Sites Project Joint Powers Authority (the Authority) which was established in August 2010. Currently, the Authority consists of a total of thirteen (13) Authority member agencies. The Authority was created with the purpose to effectively study, promote, develop, design, finance, acquire, construct, manage, and operate the proposed Sites Reservoir and related facilities. The purposes of pursuing and developing Sites Reservoir are to: (a) increase surface water storage and enhance water management flexibility in the Sacramento Valley, (b) provide flood control benefits, (c) improve conditions for fish and wildlife in the Sacramento Valley, and (d) improve the operation of the State of California's water system.

To further the objectives of the Authority, each participating agency is required to provide financial contributions to the Authority. No contributions were made during the year ended September 30, 2020. On August 20, 2020, the District Board authorized execution of the second amendment to the 2019 Reservoir Project Agreement with the District's participation set at 5,000 acre-feet. Executing this document committed GCID to contribute up to $500,000 in two installments during Fiscal Year 2020-21 to support the Sites Project workplan through approximately December of 2021. A $300,000 payment was made to the Sites JPA on October 15, 2020, and a payment of $188,895.76 was made to the Sites JPA on March 18, 2021 ($200,000 less a credit of $11,104.24). While it is expected that the Sites JPA will request additional contributions during fiscal year 2021/22, the District currently has no contractual obligation to contribute additional amounts.

Additional information relating to the Authority can be obtained at the following mailing address: Sites Project JPA, P.O. Box 517, Maxwell, CA 95955.

NOTE L – RISK MANAGEMENT

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public officials' liability, property damage, fidelity insurance, cyber liability, employer's liability, and workers compensation liability. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. The District's deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible/ Retention
General and Auto Liability (Includes public officials and auto liability)	$ 5,000,000	$ 55,000,000	None
Property	100,000	500,000,000	$ 500 to 100,000
Employee Dishonesty	100,000		1,000
Workers' Compensation Liability	2,000,000	Statutory to $4,000,000 program aggregate	None
Cyber Liability		5,000,000 per occurrence/ 5,000,000	75,000 to 100,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M – COMMITMENTS AND CONTINGENCIES

Legal Claims: In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition as of September 30, 2021.

USBR Contract: In the District's water rights settlement contract with the USBR, the District is required to pay for 78,750 acre-feet of water from the Central Valley Project at the annual rates determined by the USBR pursuant to its rate setting process, through March 31, 2045. The rate for 2021 was $40.20 per acre-foot for a total cost of $3,165,750.

However, the USBR granted the District a waiver to its contractual requirement to pay for a minimum amount of water during the 2021 contact period (April 2021 through October 2021) as an incentive to encourage water conservation efforts during the ongoing drought. The waiver is expected to reduce the District's contractual costs for the 2021 contract period by approximately $1.5 million, but the waiver was granted after the District made the full contractual payment to USBR. The expected refund is not reflected in the District's financial position as of September 30, 2021, as it is anticipated to be included in the USBR's annual analysis (discussed below).

Following each contract period, the USBR performs an analysis of the Central Valley Projects costs, water deliveries, and contractor payments. The goal of this annual analysis is to ensure that each contractor pays their appropriate share of Central Valley Project costs based on the relevant federal laws and policies. The result of the annual analysis is a calculation that shows the accumulated deficit or surplus for each contractor. In dry years, like 2021, and absent other factors, it is typical for the annual analysis to show that the District has a deficit balance (i.e., is required to make an additional payment to the USBR for previously delivered water), though the size of the deficit balance cannot be reliably estimated. The annual analysis is generally completed by the end of the following August (i.e., for the 2021 contract period), the annual analysis is expected to be complete by the end of August 2022.

For the 2021 contract period the District is assuming that: 1) the refund of approximately $1.5 million discussed above will be included in the annual analysis, which by itself would result in a surplus; and 2) the drought conditions present during the 2021 contract period would, considered by themselves, result in a deficit balance. Because the size of the deficit balance stemming from the drought conditions cannot be reliably estimated, the District cannot reliably predict if the results of the 2021 annual analysis will show a surplus or a deficit. As a result, no surplus or deficit from the 2021 contract period is reflected in the District's financial position as of September 30, 2021.

Additional information about the USBR's rate setting process can be found at: https://www.usbr.gov/mp/cvpwaterrates/rate-process/overview.html.

COVID-19: On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic. The impact of COVID-19 on the year ended September 30, 2021 is minimal.

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REQUIRED SUPPLEMENTARY INFORMATION

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GLENN-COLUSA IRRIGATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Fiscal Period	2021	2020	2019	2018
Total OPEB liability:				
Service cost	$ 119,395	$ 115,917	$ 145,217	$ 658,294
Interest	658,947	677,616	641,301	582,241
Differences between expected and actual experience	(965,286)	(1,860,781)		(1,261,629)
Change of assumption	(271,190)	615,750		
Adjustment for change in measurement date		558,803		
Benefit payments	(365,565)	(338,762)	(271,810)	(241,018)
Net change in total OPEB liability	(823,699)	(231,457)	514,708	(262,112)
Total OPEB liability - beginning	11,105,527	11,336,984	10,822,276	11,084,388
Total OPEB liability - ending (a)	$ 10,281,828	$ 11,105,527	$ 11,336,984	$ 10,822,276
Plan fiduciary net position:				
Contributions - employer	$ 468,932	$ 438,762	$ 271,810	$ 241,018
Net investment income	911,031	317,776	256,090	384,386
Adjustment for change in measurement date		148,425		
Administrative expenses	(18,006)	(13,481)	(12,052)	(9,197)
Benefit payments	(365,565)	(338,762)	(271,810)	(241,018)
Net change in plan fiduciary net position	996,392	552,720	244,038	375,189
Plan fiduciary net position - beginning	4,325,322	3,772,602	3,528,564	3,153,375
Plan fiduciary net position - ending (b)	$ 5,321,714	$ 4,325,322	$ 3,772,602	$ 3,528,564
Net OPEB liability - ending (a)-(b)	$ 4,960,114	$ 6,780,205	$ 7,564,382	$ 7,293,712
Plan fiduciary net position as a percentage of the total OPEB liability	51.76%	38.95%	33.28%	32.60%
Covered-employee payroll - measurement period	$ 2,097,518	$ 2,321,694	$ 2,420,352	$ 2,420,352
Net OPEB liability as percentage of covered-employee payroll	236.48%	292.04%	312.53%	301.35%

Notes to schedule:

Valuation date	September 30, 2021	October 1, 2019	October 1, 2017	October 1, 2017
Measurement period - fiscal year ended	September 30, 2021	September 30, 2020	September 30, 2018	September 30, 2018

Benefit changes. None.

Changes in assumptions. None.

Omitted years: GASB Statement No. 75 was implemented during the year ended September 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

GLENN-COLUSA IRRIGATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

For the Years Ended September 30

	2021	2020	2019	2018
Statutorily required contribution - employer fiscal year	$ 308,287	$ 293,620	$ 271,810	$ 241,018
Contributions in relation to the statutorily determined contributions	(308,287)	(293,620)	(271,810)	(241,018)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll - employer fiscal year	$ 2,097,518	$ 2,321,694	$ 2,440,271	$ 2,420,352
Contributions as a percentage of covered-employee payroll	14.70%	12.65%	11.14%	9.96%

Notes to Schedule:

Valuation date	September 30, 2021	October 1, 2019	October 1, 2017	October 1, 2017
Measurement period - fiscal year ended	September 30, 2021	September 30, 2020	September 30, 2018	September 30, 2018

An actuarially determined contribution rate was not calculated. The required contributions reported represent retiree premium payments.

Omitted years: GASB Statement No. 75 was implemented during the year ended September 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SUPPLEMENTARY INFORMATION

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GLENN-COLUSA IRRIGATION DISTRICT

SUPPLEMENTARY INFORMATION

September 30, 2021 and 2020

Schedule of Pension Plan Net Assets
As of September 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 291,556	$ 329,730
Receivables:		
Contributions	33,768	31,709
Investments	3,858	4,565
Investments at fair value	9,601,834	7,945,025
TOTAL ASSETS	9,931,016	8,311,029
NET ASSETS AVAILABLE FOR BENEFITS	$ 9,931,016	$ 8,311,029

Summary of Pension Plan Income and Expenses
For the Years Ended September 30, 2021 and 2020

	2021	2020
REVENUES		
Employer contributions	$ 389,850	$ 377,934
Pension benefit forfeitures	13,506	8,350
Investment earnings:		
Interest	196,112	196,845
Dividends	676,192	525,607
Net increase (decrease) in the fair value of investments	1,058,941	(47,227)
TOTAL REVENUES	2,334,601	1,061,509
EXPENSES		
Pension benefits paid	586,329	958,144
Administrative expenses	121,949	106,280
Realized loss		74,626
Foreign tax expense	6,336	4,985
TOTAL EXPENSES	714,614	1,144,035
NET INCOME (LOSS)	$ 1,619,987	$ (82,526)

Fair Value of the Pension Plan Invested Assets
As of September 30, 2021 and 2020

	2021	2020
Common stock	$ 5,448,909	$ 4,395,798
Exchange traded and closed-end funds	1,347,792	1,137,454
Mutual funds	1,814,823	1,573,448
Corporate bonds	397,619	417,322
Government securities	592,691	421,003
TOTAL	$ 9,601,834	$ 7,945,025

Contribution and Participant Information
For the Years Ended September 30, 2021 and 2020

	2021	2020
Total District Payroll	$ 4,627,530	$ 4,602,760
Covered Payroll	$ 4,077,111	$ 3,946,315
District Contribution - 10%	$ 389,850	$ 377,934
Participants:		
Active	62	63
Retiree	0	0

OTHER REPORTS

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

To the Board of Directors
Glenn-Colusa Irrigation District
Willows, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Glenn-Colusa Irrigation District (the District) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

To the Board of Directors
Glenn-Colusa Irrigation District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

February 16, 2022