GLENN-COLUSA IRRIGATION DISTRICT

AUDITED FINANCIAL STATEMENTS

September 30, 2022 and 2021

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September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Glenn-Colusa Irrigation District (the District) as of and for the years ended September 30, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America and systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
Glenn-Colusa Irrigation District

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net OPEB liability and related ratios and schedule of contributions to the OPEB plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of pension plan net assets, the summary of pension plan income and expenses, the fair value of the pension plan invested assets, and the pension plan contributions and plan participation information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2023, 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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Richardson & Company, LLP

February 21, 2023

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 2022 and 2021 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 the supplemental water purchase pool and water transfers, unearned revenue 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, provide 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 report 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,		
	2022	**2021**	**2020**
Assets and Deferred Outflows of Resources:			
Current Assets	$ 33,529,990	$ 53,522,845	$ 21,706,137
Capital Assets Net of Depreciation	$ 42,979,236	$ 43,783,961	$ 43,493,943
Deferred Outflows of Resources	$ 5,835,805	$ 5,645,432	$ 6,037,045
Total Assets & Deferred Outflows of Resources	**$ 82,345,031**	**$ 102,952,238**	**$ 71,237,125**
Liabilities and Deferred Inflows of Resources:			
Current Liabilities	$ 5,789,962	$ 15,261,743	$ 1,248,545
Long-Term Liabilities	$ 6,017,752	$ 5,045,640	$ 6,947,895
Deferred Inflows of Resources (OPEB)	$ 612,519	$ 2,372,349	$ 1,957,928
Total Liabilities and Deferred Inflows of Resources	**$ 12,420,233**	**$ 22,679,732**	**$ 10,154,368**
Net Position:			
Net Position - Investment in Capital Assets	$ 42,926,196	$ 43,783,961	$ 43,493,943
Net Position - Unrestricted	$ 26,998,602	$ 36,488,545	$ 17,588,814
Total Net Position	**$ 69,924,798**	**$ 80,272,506**	**$ 61,082,757**
Total Liabilities, Deferred Inflows and Net Position	**$ 82,345,031**	**$ 102,952,238**	**$ 71,237,125**

Current Assets

Current assets include cash and equivalents, investments, accounts receivable, due from other governments, interest receivable, inventory, and prepaid expenses.

Fiscal Year 2022 Compared to 2021. At September 30, 2022, current assets totaled $33.5 million, a decrease of $20.0 million from the prior year. The decrease was primarily due to two factors. First, the prolonged drought impacting California resulted in a significant reduction in the District's water supply during the 2022 irrigation season. The District's primary function is to deliver water available to it pursuant to the Sacramento River Settlement Contract it holds with the United States Bureau of Reclamation to growers within the District. In a typical year that is not impacted by drought, water sales to growers within the District will exceed $13.0 million. However, due to the severe drought conditions, the District's water supply was significantly reduced during the 2022 irrigation season such that irrigation water sales to growers within the District totaled just $1.4 million.

Second, at the end of fiscal year 2021, the District had an amount payable of $13.8 million related to water transfers. The growers who took actions to make water available for transfer during fiscal year 2021 were paid for their actions during January of 2022 (in fiscal year 2022), which eliminated the payable and reduced the District's available cash.

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 fiscal year 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).

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 2022 Compared to 2021. At September 30, 2022, net capital assets totaled $43.0 million, a decrease of $805,000 from the prior year. During fiscal year 2022, a total of $1.2 million was added to construction in progress for eight separate projects, $150,000 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 2022 totaled $3.4 million.

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 2021, 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 2021 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 2022 Compared to 2021. At September 30, 2022, deferred outflows of resources totaled approximately $5.8 million, an increase of roughly $190,000 total from the prior year. The increase is attributable to the amortization of the operations and maintenance deficit payment to the United States Bureau of Reclamation ($231,000) and a $420,000 increase 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 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.

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

Fiscal Year 2022 Compared to 2021. At September 30, 2022, current liabilities totaled $5.8 million, a decrease of $9.5 million from the prior year. The net impact of two main factors accounted for this decrease.

First, the District did not conduct a water transfer program during fiscal year 2022 that involved landowners taking actions to make water available for transfer, so there was no related payable as there was at the close of fiscal year 2021 (at the close of fiscal year 2021 the District recorded a payable of $13.8 million for this purpose).

Second, due to reductions in the District's water supply related to the prolonged drought, the District administered a supplemental water purchase pool program during fiscal year 2022. To increase the efficiency with which water was used within the District, the District offered to purchase water from landowners who opted not to use water allocated to them and sold this water to willing buyers within the District. A portion of the payments to growers who ceded their water allocation to the supplemental pool were not made until after the close of fiscal year 2022, and a payable of $3.3 million was recorded to reflect this.

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 fiscal year 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.

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 2022 Compared to 2021. At September 30, 2022, the long-term liability total was $6.0 million, an increase of approximately $1.0 million from the prior year. This increase was due to an increase in the OPEB liability of $1.0 million (see Note H).

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.

Deferred Inflows of Resources
Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period.

Fiscal Year 2022 Compared to 2021. At September 30, 2022, deferred inflows of resources totaled approximately $610,000, a decrease of $1.8 million compared to the prior year. The total of deferred inflows of resources as of September 30, 2022, 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 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.

Net Position – Net 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, and less amounts payable related to the capital assets. As of September 30, 2022, the District had no capital asset debt but did have $53,040 in amounts payable related to capital assets. Therefore, the capital asset portion of the net position was equal to the asset category Capital Assets Net of Depreciation at September 30, 2022, less the $53,040 payable.

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 is 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 2022 Compared to 2021. At September 30, 2022, unrestricted net position was $27.0 million, a decrease of $9.5 million over the balance at the end of fiscal year 2021. As explained in the Current Assets section of Management's Discussion and Analysis, due to the severe drought conditions, the District's water supply was significantly reduced during the 2022 irrigation season such that irrigation water sales to growers within the District totaled just $1.4 million, rather than typical revenue of more than $13.0 million. This significant reduction in revenue caused the District to consume a portion of its unrestricted net position during the fiscal year 2022.

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.

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 2022 Compared to 2021. The total net position at the end of fiscal year 2022 was $69.9 million, a decrease of $10.3 million from the balance at the end of fiscal year 2021. The primary factor that produced the significant decrease in in unrestricted net position (discussed above) also led to nearly all of the decrease in total net position.

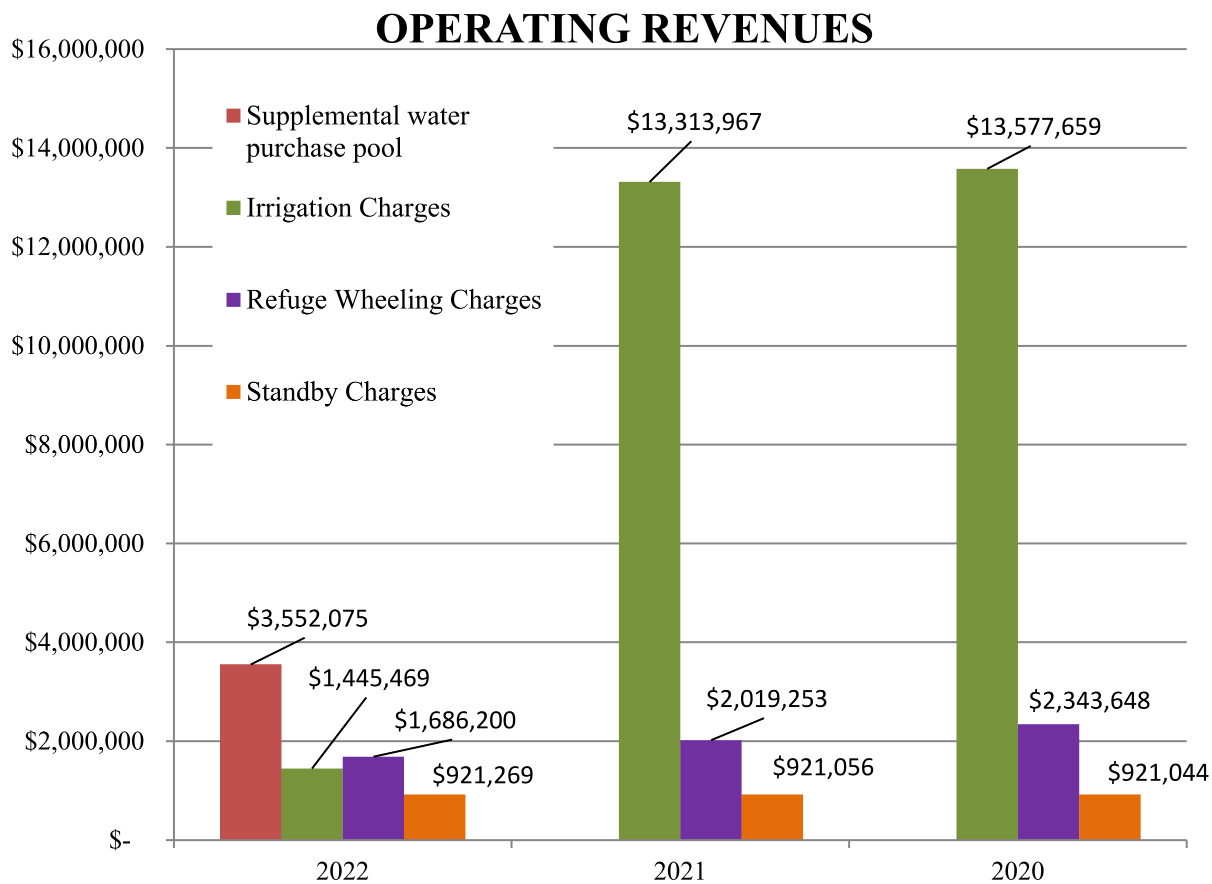
Fiscal Year 2021 Compared to 2020. The total net position at the end of fiscal year 2021 was $80.3 million, an increase of $19.2 million from the balance at the end of fiscal year 2020. The two primary factors that produced the significant increase in in unrestricted net position (discussed above) also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

CONDENSED SCHEDULE OF REVENUES, EXPENSES & CHANGES IN NET POSITION

	September 30, 2022	2021	2020
Operating Revenues			
Supplemental water purchase pool	$ 3,552,075	$ -	$ -
Irrigation Charges	$ 1,445,469	$ 13,313,967	$ 13,577,659
Refuge Wheeling Charges	$ 1,686,200	$ 2,019,253	$ 2,343,648
Standby Charges	$ 921,269	$ 921,056	$ 921,044
Total Operating Revenues	$ 7,605,013	$ 16,254,276	$ 16,842,351
Nonoperating Revenues - Third Party Water Sales	$ 4,841,494	$ 33,797,472	$ 911,922
Other Nonoperating Revenues	$ 898,056	$ 2,257,452	$ 2,048,856
Total Revenues	**$ 13,344,563**	**$ 52,309,200**	**$ 19,803,129**
Operating Expenses			
Source of Supply	$ 3,129,493	$ 5,020,410	$ 4,770,144
Pumping Plant	$ 545,650	$ 1,152,540	$ 990,405
Transmission & Distribution	$ 4,423,190	$ 4,655,265	$ 4,587,881
Administration & General	$ 5,588,248	$ 5,873,500	$ 6,333,370
Supplemental water purchase pool	$ 6,123,969	$ -	$ -
Depreciation	$ 3,364,742	$ 3,277,993	$ 3,267,614
Total Operating Expenses	$ 23,175,292	$ 19,979,708	$ 19,949,414
Nonoperating Expenses - Third Party Water Sales	$ 391,719	$ 23,615,186	$ 3,191
Nonoperating Expenses - Other	$ 125,260	$ 24,557	$ 34,318
Total Expenses	**$ 23,692,271**	**$ 43,619,451**	**$ 19,986,923**
Extraordinary Item			
Gradient Facility settlement revenue (Note I)	**$ -**	**$ 10,500,000**	**$ -**
Change in Net Position	**$ (10,347,708)**	**$ 19,189,749**	**$ (183,794)**
Net Position, Beginning of Year	$ 80,272,506	$ 61,082,757	$ 61,266,551
Net Position, End of Year	**$ 69,924,798**	**$ 80,272,506**	**$ 61,082,757**

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.



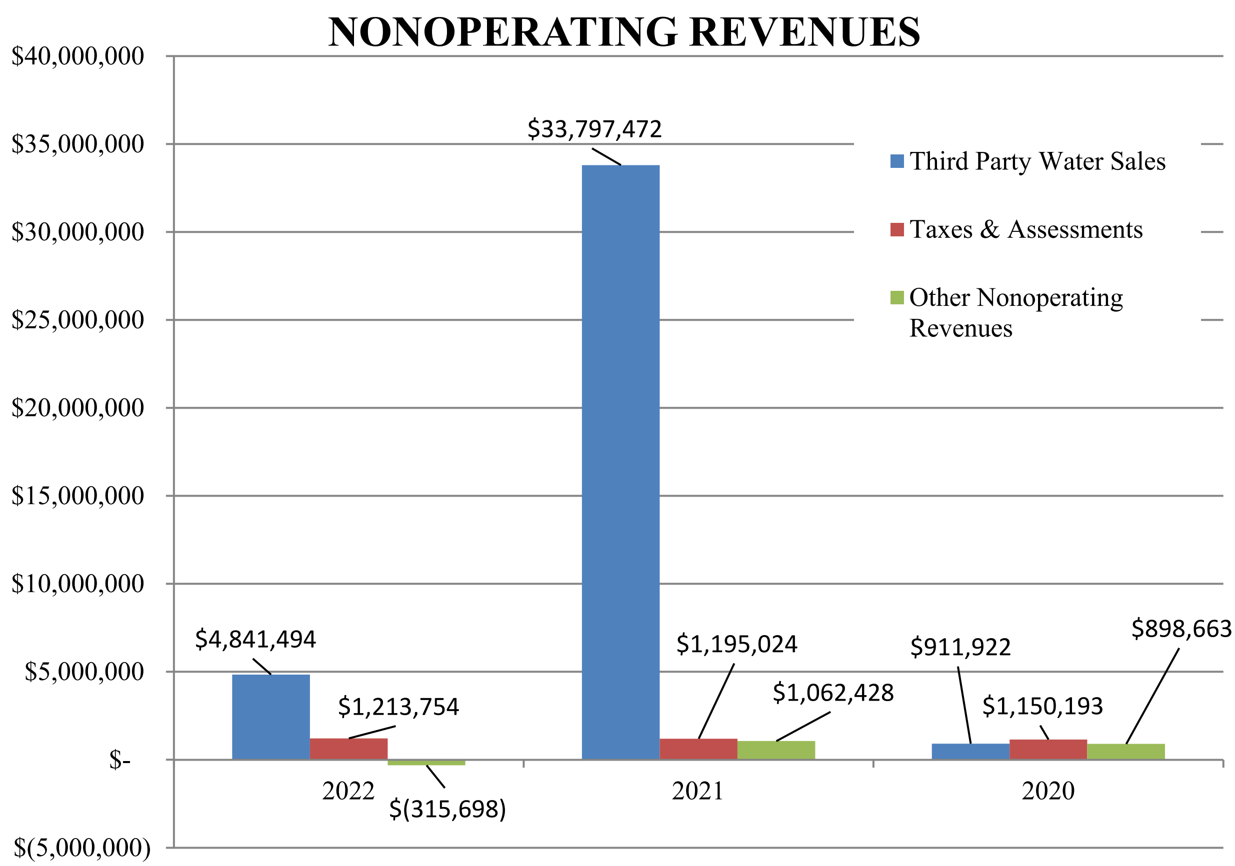
Fiscal Year 2022 Compared to 2021. Fiscal year 2022 operating revenues were $7.6 million, a decrease of $8.6 million compared to the prior year. The primary cause of the decrease in operating revenues was due to the District's water supply was significantly reduced during the 2022 irrigation season such that irrigation water sales to growers within the District totaled just $1.4 million, rather than typical revenue of more than $13.0 million. Additionally, and also due to the drought conditions, revenue from wheeling water to the federal wildlife refuges was reduced by $333,000.

To help ensure that the District's very limited water supply was used within the District as efficiently as possible, the District administered a supplemental water purchase program during fiscal year 2022. The District offered to purchase any water from growers choosing to forgo any portion their allocation of water from the District at a rate of $300 per acre-foot. The District then made this water available to other growers within the District at a rate of $300 per acre-foot. The supplemental water purchase program yielded $3.6 million in revenue.

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.

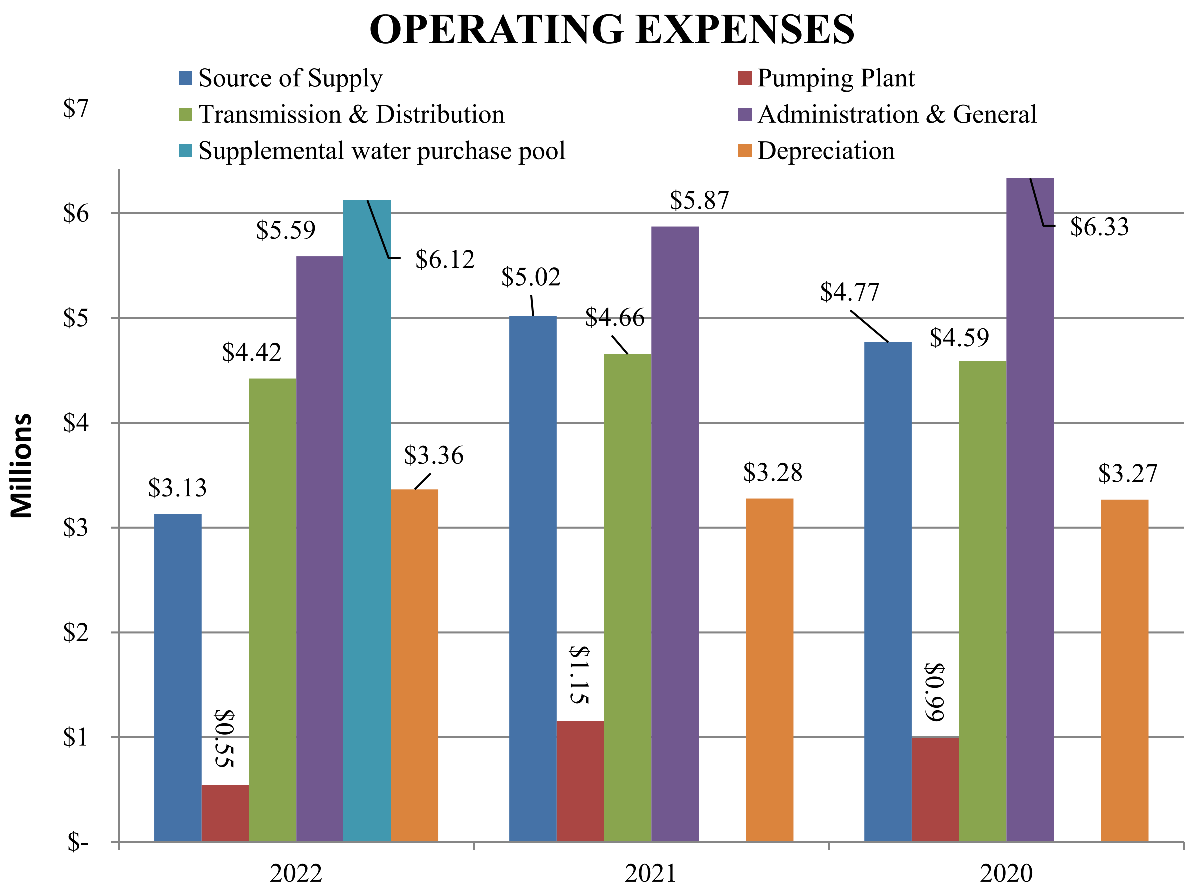
Non-operating Revenues
The primary sources of non-operating revenue for GCID are county property taxes, assessments and third-party water sales.



Fiscal Year 2022 Compared to 2021. Non-operating revenues for fiscal year 2022 were $5.7 million, a net decrease of $30.3 million compared to fiscal year 2021. In fiscal year 2021, the District engaged in significant water transfer programs involving crop idling and groundwater substitution. In fiscal year 2022, the District did not engage in water transfer programs involving crop idling and groundwater substitution. However, it did transfer Central Valley Project water to federal wildlife refuges, yielding approximately $4.7 million in revenue. Also, the water transfer to the Colusa Drain Mutual Water Company resulted in revenue of $75,000, a reduction of $167,000 compared to the prior year. There was little change in the revenue from taxes and assessments. Other nonoperating revenue for fiscal year 2022 totaled -$316,000. This is due to unrealized losses in the District's investment portfolio of $1.0 million.

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.

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 2022 Compared to 2021. Total operating expenses were $23.2 million in fiscal year 2022, an increase of $3.2 million from the prior year. Source of supply expenses decreased by $1.9 million due mainly to decreased expenses for Central Valley Project water from the United States Bureau of Reclamation. Pumping Plant expenses decreased by approximately $600,000 due to lower energy usage at the pumping plant (the District pumped much less water than typical). Expenses in both Transmission &

Distribution and Administration & General categories were slightly decreased from the prior year. Depreciation expense increased slightly.

To help ensure that the District's very limited water supply was used within the District as efficiently as possible, the District administered a supplemental water purchase program during fiscal year 2022. The District offered to purchase any water from growers choosing to forgo any portion their allocation of water from the District at a rate of $300 per acre-foot. The District then made this water available to other growers within the District at a rate of $300 per acre-foot. The supplemental water purchase program resulted in $6.1 million in expenses during fiscal year 2022.

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.

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,					
		2022		**2021**		**2020**
Third Party Water Sales	$	391,719	$	23,615,186	$	3,191
Other Non-operating Expenses	$	125,260	$	24,557	$	34,318
	$	**516,979**	**$**	**23,639,743**	**$**	**37,509**

Fiscal Year 2022 Compared to 2021. Expenses related to third party water sales decreased by $23.1 million in fiscal year 2022 compared to the prior year. During 2021, the District engaged in significant water transfer programs that involved landowners taking specific actions to make water available for transfer (crop idling and groundwater substitution). The $23.6 million in third party water sales expenses in fiscal year 2021 represents payments the District made to landowners who took actions to make water available for transfer. The District did not engage in water transfer programs during fiscal year 2022 that involved crop idling or groundwater substitution. $370,000 of the $392,000 in third party water sales expenses was related to a water sale for environmental purposes that occurred in October of 2021.

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.

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

Water Supply Outlook
Current projections of the inflow to Shasta Lake for the water year that began October 1, 2022, indicate that it is unlikely that the District will have its water supply reduced under the terms of its contract with the United States Bureau of Reclamation. However, even though northern California experienced heavy precipitation during January 2023, more precipitation is necessary to produce inflow into Shasta Lake sufficient to avoid a water supply reduction. Additionally, actions by regulatory agencies and the courts could significantly impact the District's water supply.

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, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 7,626,863	$ 42,792,907
Investments	18,975,556	
Accounts receivable	447,452	311,070
Due from other governments	5,250,966	9,563,281
Assessments receivable	241,572	236,060
Interest receivable	39,144	22,428
Inventory	747,777	395,610
Prepaid expenses	200,660	201,489
TOTAL CURRENT ASSETS	33,529,990	53,522,845
CAPITAL ASSETS		
Not being depreciated	5,333,591	4,315,827
Being depreciated, net	37,645,645	39,468,134
TOTAL CAPITAL ASSETS, NET	42,979,236	43,783,961
TOTAL ASSETS	76,509,226	97,306,806
DEFERRED OUTFLOW OF RESOURCES		
CVP O&M deficit - contract renewal, net	5,119,322	5,350,518
Related to OPEB	716,483	294,914
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,835,805	5,645,432
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,185,836	610,983
Supplemental water purchase pool payable	3,251,692	
Water purchases payable		13,843,234
Regional Plan participants payable	31,456	41,221
Accrued payroll and benefits payable	262,922	196,401
Due to pension plan	34,884	33,768
Unearned revenue	579,929	18,780
Current portion of accrued compensated absences	443,243	517,356
TOTAL CURRENT LIABILITIES	5,789,962	15,261,743
LONG-TERM LIABILITIES		
Accrued compensated absences	83,752	85,526
Net other postemployment benefits (OPEB) liability	5,934,000	4,960,114
TOTAL LONG-TERM LIABILITIES	6,017,752	5,045,640
TOTAL LIABILITIES	11,807,714	20,307,383
DEFERRED INFLOWS OF RESOURCES		
Related to OPEB	612,519	2,372,349
NET POSITION		
Net investment in capital assets	42,926,196	43,783,961
Unrestricted	26,998,602	36,488,545
TOTAL NET POSITION	$ 69,924,798	$ 80,272,506

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, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Supplemental water purchase pool	$ 3,552,075	
Irrigation charges	1,445,469	$ 13,313,967
Refuge wheeling charges	1,686,200	2,019,253
Standby charges	921,269	921,056
TOTAL OPERATING REVENUES	7,605,013	16,254,276
OPERATING EXPENSES		
Source of supply	3,129,493	5,020,410
Pumping plant	545,650	1,152,540
Transmission and distribution	4,423,190	4,655,265
Administration and general	5,588,248	5,873,500
Supplemental water purchase pool	6,123,969	
Depreciation	3,364,742	3,277,993
TOTAL OPERATING EXPENSES	23,175,292	19,979,708
NET LOSS FROM OPERATIONS	(15,570,279)	(3,725,432)
NON-OPERATING REVENUE (EXPENSES)		
Third-party water sales	4,841,494	33,797,472
Taxes and assessments	1,213,754	1,195,024
Investment (loss) income	(1,031,749)	41,538
Other non-operating revenue	583,019	963,474
Third party water purchases	(391,719)	(23,615,186)
Gain on sales of capital assets	133,032	57,416
Other non-operating expenses	(125,260)	(24,557)
TOTAL NON-OPERATING REVENUES (EXPENSES)	5,222,571	12,415,181
EXTRAORDINARY ITEM		
Gradient facility settlement revenue - Note I		10,500,000
CHANGE IN NET POSITION	(10,347,708)	19,189,749
Net position, beginning of year	80,272,506	61,082,757
NET POSITION AT END OF YEAR	$ 69,924,798	$ 80,272,506

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 7,737,529	$ 16,054,210
Cash paid to suppliers for goods and services	(9,113,112)	(11,623,769)
Cash paid to employees for services	(7,708,454)	(5,869,275)
NET CASH USED BY OPERATING ACTIVITIES	(9,084,037)	(1,438,834)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	1,208,242	1,185,747
Third-party water sales received	8,884,911	25,369,010
Third-party water purchases paid	(14,234,953)	(9,771,952)
Other nonoperating revenue received	583,019	963,474
Settlement received		10,500,000
Nonoperating expenses paid	(125,260)	(24,557)
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(3,684,041)	28,221,722
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(2,514,654)	(3,568,011)
Proceeds from sale of capital assets	140,709	57,416
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,373,945)	(3,510,595)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	2,438,381	62,471
Investment purchases	(23,299,278)	
Investment sales/maturities	836,876	
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(20,024,021)	62,471
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,166,044)	23,334,764
Cash and cash equivalents at beginning of year	42,792,907	19,458,143
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,626,863	$ 42,792,907

(Continued)

GLENN-COLUSA IRRIGATION DISTRICT

STATEMENTS OF CASH FLOWS (Continued)

For the years ended September 30, 2022 and 2021

	2022	2021
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss from operations	$ (15,570,279)	$ (3,725,432)
Adjustments to reconcile net loss from operations to net cash (used) provided by operating activities:		
Depreciation and amortization	3,364,742	3,277,993
Amortization	231,196	231,195
Changes in operating assets and liabilities:		
Accounts receivable	(136,382)	(114,259)
Due from other governments	268,898	133,464
Inventory	(352,167)	(131,023)
Prepaid expenses	829	46,680
Deferred outflows related to OPEB	(421,569)	160,418
Accounts payable	521,813	150,201
Supplemental water purchase pool payable	3,251,692	
Regional Plan participants payable	(9,765)	(5,857)
Accrued payroll and benefits payable	66,521	2,635
Due to pension plan	1,116	2,059
Unearned revenue	561,149	(64,435)
Net OPEB liability	973,886	(1,820,091)
Compensated absences	(75,887)	3,197
Deferred inflows related to OPEB	(1,759,830)	414,421
NET CASH USED BY OPERATING ACTIVITIES	$ (9,084,037)	$ (1,438,834)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	$ (1,071,846)	
Change in capital accounts payable	$ (53,040)	

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. The more significant of the District's accounting policies are described below.

<u>Reporting Entity</u>: 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.

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

- Sites Project Joint Powers Authority (SPJPA), which is described in Note J.
- 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, 2022 and 2021, the District paid PWRPA $596,305 and $1,517,660, respectively. These payments are made based on pro-forma budgeted rates, which are reconciled to actual costs.

<u>Basis of Presentation</u>: 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.

<u>Basis of Accounting</u>: 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

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

segregated into the investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net 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.

<u>Cash and Investments</u>: 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.

<u>Receivables</u>: 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, 2022 and 2021. The District conducted a significant water transfer program during the years ended September 30, 2022 and 2021, which resulted in a large amount being recorded as due from other governments as of September 30, 2022 and 2021.

<u>Property Taxes</u>: 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.

<u>Inventories and Prepaid Items</u>: 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.

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

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.

Supplemental Water Purchase Pool: The District implemented a supplemental water purchase program during the year ended September 30, 2022 under which water users were allowed to cede a portion of their water allocation to the District for $300 per acre-foot. The District allowed water users to purchase the ceded water at a rate of $321.79 per acre-foot, which is the 2022 water rate plus the amount paid to the water users who ceded the water. The District had total supplemental water purchase pool payables of $3,251,692 and supplemental water purchase pool revenue and expenses of $3,552,075 and $6,123,969, respectively, as of and for the year ended September 30, 2022 under the program. A portion of the supplemental water ceded was sold to the United States Bureau of Reclamation (USBR) for federal wildlife refuges and was reported as third-party water sales.

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. The net investment in capital assets represents capital assets, less accumulated depreciation and any outstanding debt or capital payables 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 assets by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net assets 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 CVP O&M deficit as described in Note C and the District's OPEB plan as described in Note H.

Other Postemployment Benefits (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.

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

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.

New Pronouncements: In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022.* This Statement enhances comparability in accounting and financial reporting and consistency in authoritative literature, including the classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; clarification of provisions of Statement 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives; clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement term, classification as short-term and recognition of a subscription liability; extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); disclosures related to nonmonetary transactions; pledges of future revenues when resources are not received by the pledging government; clarification of provisions in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, related to the focus of the government-wide financial statements; terminology updates related to provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and terminology used in Statement No. 53 to refer to resource flows statements. The provisions of this Statement are effective immediately through periods beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary-related payments that

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

are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

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

NOTE B – CASH AND INVESTMENTS

Cash and investments consisted of the following at September 30:

	2022	2021
Cash and cash equivalents	$ 7,626,863	$ 42,792,907
Investments	18,975,556	
Total cash and investments	$ 26,602,419	$ 42,792,907

Cash and investments were classified as follows under GASB Statement No. 40 at September 30:

	2022	2021
Cash on hand	$ 100	$ 100
Deposits with financial institutions	557,088	257,540
Total cash	557,188	257,640
Local Agency Investment Fund (LAIF)	7,042,905	42,535,267
Money market mutual fund	26,770	
U.S. Treasury notes	11,883,447	
U.S. agency securities	2,007,279	
Corporate notes/bonds	2,780,865	
Supranational notes	1,353,810	
Municipal notes/bonds	950,155	
Total investments	26,045,231	42,535,267
Total cash and investments	$ 26,602,419	$ 42,792,907

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.

NOTE B – CASH AND INVESTMENTS (Continued)

During the year ended September 30, 2022, the District's permissible investments included in the following instruments:

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 had an average maturity of 304 and 321 days as of September 30, 2022 and 2021.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the District's investments by maturity at September 30, 2022:

NOTE B – CASH AND INVESTMENTS (Continued)

	Total	Remaining Investment Maturities: 12 Months or Less	12 to 24 Months	24 to 60 Months
Local Agency Investment Fund (LAIF)	$ 7,042,905	$ 7,042,905		
Money market mutual fund	26,770	26,770		
U.S. Treasury notes	11,883,447	4,495,308	$ 2,362,580	$ 5,025,559
U.S. agency securities	2,007,279		1,541,829	465,450
Corporate notes/bonds	2,780,865		705,072	2,075,793
Supranational notes	1,353,810		464,115	889,695
Municipal notes/bonds	950,155			950,155
Total	$ 26,045,231	$ 11,564,983	$ 5,073,596	$ 9,406,652

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.

Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type at September 30, 2022.

	Total	Minimum Legal Rating	AAA	AA+	AA	Not Rated
Local Agency Investment Fund (LAIF)	$ 7,042,905	N/A				$ 7,042,905
Money market mutual fund	26,770	(1)	$ 26,770			
U.S. Treasury notes	11,883,447	N/A		$ 11,883,447		
U.S. agency securities	2,007,279	N/A		2,007,279		
Corporate bonds	2,780,865	Aa or AA	1,691,434	511,553	$ 577,878	
Supranational notes	1,353,810	Aa or AA	1,353,810			
Municipal notes/bonds	950,155	Aa or AA		658,441	291,714	
Total	$ 26,045,231		$ 3,072,014	$ 15,060,720	$ 869,592	$ 7,042,905

(1) must be given the highest rating by 2 of the 3 nationally recognized rating agencies.

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 (excluding U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total District investments other than investments in U.S. agencies with the Federal Home Loan Bank of $2,007,279.

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

NOTE B – CASH AND INVESTMENTS (Continued)

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, 2022, the carrying amount of the District's deposits was $557,088 and the balances in financial institutions was $874,251 of which $624,251 was not covered by federal depository insurance. 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. In addition, all of the district's investments with the exception of the investment in LAIF were held by the same broker-dealer (counterparty) used to buy the securities.

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 total fair value amount invested by all public agencies in LAIF at September 30, 2022 was $219,290,648,132. Of that amount, 1.24% was invested in structured notes and asset-backed securities. 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.

Fair Value Measurements: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. When quoted prices in active markets are not readily available, fair values are based on pricing models or matrices maximizing the use of observable inputs for similar securities. Level 3 inputs are significant unobservable inputs. The District had the following reoccurring fair value measurements as of September 30, 2022.

		Level		
	Total	1	2	3
Money market mutual fund	$ 26,770		$ 26,770	
U.S. Treasury notes	11,883,447		11,883,447	
U.S. agency securities	2,007,279		2,007,279	
Corporate bonds	2,780,865		2,780,865	
Supranational notes	1,353,810		1,353,810	
Municipal notes/bonds	950,155		950,155	
	19,002,326	$ -	$ 19,002,326	$ -
Investments not categorized:				
Local Agency Investment Fund (LAIF)	7,042,905			
Total	$ 26,045,231			

Investments categorized in Level 2 are valued using matrix pricing which use observable market inputs such as yield curves and market indices that are derived principally from or corroborated from observable market data by correlation or other means.

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. The District's payment of $9,247,807 is reported as a deferred outflow of resources on the Statement of Net Position and is being amortized using the straight-line method over the life of the new contract under GASB Statement No. 62 paragraphs 476 to 500 on accounting for regulated operations. 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, 2022 was as follows:

	Balance at October 1, 2021	Additions	Write-offs/ Disposals	Transfers	Balance at September 30, 2022
Capital assets, not being depreciated:					
Land and other land rights	$ 520,410				$ 520,410
Construction in progress	3,795,417	$ 1,167,608		$ (149,844)	4,813,181
Total capital assets, not being depreciated	4,315,827	1,167,608		(149,844)	5,333,591
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	15,486,760	705,991	$ (26,756)		16,165,995
Transmission and distribution	34,695,775	87,396	(102,793)	149,844	34,830,222
General plant	7,251,151		(26,107)		7,225,044
Equipment	6,480,486	606,699	(601,856)		6,485,329
Total capital assets being depreciated	107,080,388	1,400,086	(757,512)	149,844	107,872,806
Less: accumulated depreciation:					
Fish screen and related improvements	(16,872,043)	(1,346,259)			(18,218,302)
Source of supply	(2,340,795)	(66,305)			(2,407,100)
Pumping plant	(11,577,633)	(570,763)	26,756		(12,121,640)
Transmission and distribution	(25,234,152)	(896,592)	102,793		(26,027,951)
General plant	(6,821,515)	(72,024)	26,107		(6,867,432)
Equipment	(4,766,116)	(412,799)	594,179		(4,584,736)
Total accumulated depreciation	(67,612,254)	(3,364,742)	749,835		(70,227,161)
Total capital assets being depreciated, net	39,468,134	(1,964,656)	(7,677)	149,844	37,645,645
CAPITAL ASSETS, NET	$ 43,783,961	$ (797,048)	$ (7,677)	$ -	$ 42,979,236

NOTE D – CAPITAL ASSETS (Continued)

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

	Balance at October 1, 2020	Additions	Deletions	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

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 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 related to the

NOTE D – CAPITAL ASSETS (Continued)

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, 2022:

	October 1, 2021	Additions	Reductions	September 30, 2022	Due Within One Year
Compensated absences	$ 602,882	$ 433,999	$ (509,886)	$ 526,995	$ 443,243
Other post-employment benefits	4,960,114	730,072	243,814	5,934,000	
Total Long-Term Liabilities	$ 5,562,996	$ 1,164,071	$ (266,072)	$ 6,460,995	$ 443,243

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

NOTE F – NET POSITION

<u>Designations</u>: 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:

	2022	2021
Water Supply Protection and Regional Sustainability Reserve	$ 4,000,000	$ 2,000,000
USBR Cost Reserve	5,000,000	5,000,000
Vehicle, Equipment, and Capital Replacement Reserve	5,000,000	3,500,000
Gradient Facility Repair	10,369,273	
Operations Reserve	2,629,329	25,968,646
Total Unrestricted Net Position	$ 26,998,602	$ 36,468,646

The designations are for the following:

<u>Designated for Water Supply Protection and Regional Sustainability Reserve</u> 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 Gradient Facility Maintenance and Repair Reserve represents an account established to provide for the regular maintenance and emergency repair of the improvements in and along the Sacramento River that function to preserve the elevation of the river near the District Pumping Plant. Maintaining the elevation of the Sacramento River near the pumping plant is critical for the District's ability to divert water.

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 AND DEFERRED COMPENSATION PLANS

Defined Contribution Retirement Plan: The District is the sponsor of an Internal Revenue Code Section 401(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 is required to contribute 10.0% of the participants' annual base salary to the plan. 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, 2022 and 2021 were $408,329 and $389,850, respectively.

Employees (participants) may not contribute to the plan. Vesting provisions for employer contributions 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 $4,340 and $13,506 during the years ended September 30, 2022 and 2021, respectively.

NOTE G – PENSION PLAN AND DEFERRED COMPENSATION PLANS (Continued)

Deferred Compensation Plans: The District offers three Section 457 Deferred Compensation plans open to all employees other than probationary, temporary, and part-time employees from their date of hire. Plans include the CalPERS Supplemental Income 457 Plan, Glenn-Colusa Irrigation District Eligible Deferred Compensation Plan, and the 457 Governmental Deferred Compensation Plan and Trust. The plans are considered single employer defined contribution plans.

Benefit terms, including contribution requirements, are established and may be amended by the Board of Directors. The District does not contribute to the plans and employees may contribute to the plans up to the limits established by the Internal Revenue Code. During the years ended September 30, 2022 and 2021, the employees contributed $185,505 and $167,550 to the plans, respectively. Employees are immediately fully vested in their contributions to the plans.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Description of the Plan: The District administers a single-employer defined benefit other postemployment benefits (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 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:

	2022	2021
Inactive employees or beneficiaries currently receiving benefit payments	30	30
Active employees	34	34
Total	64	64

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 year ended September 30, 2022, employer contributions were $614,158, including benefit payments outside of the trust of $232,683, contributions to the trust of $379,200 and implied subsidy payments of $2,275. During the year ended June 30, 2021, employer contributions were $468,932, including contributions to the PARS trust of $414,000 and implied subsidy payments of $54,932. There were no withdrawals from the PARS trust during the year ended June 30, 2022. Withdrawals from the PARS trust for benefit payments were $310,633 during the year ended June 30, 2021.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability: The District's net OPEB liability was measured as of September 30, 2022, 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, 2022, and 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2022	2021
Valuation date	September 30, 2021	September 30, 2021
Measurement date	September 30, 2022	September 30, 2021
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuarial assumptions:		
Discount rate	5.75%	5.75%
Salary increases	2.75% per year	2.75% per year
Inflation rate	2.50%	2.50
Healthcare trend rate	4% for 2021-22	4% for 2020-21

Mortality rates in the September 30, 2022, 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. 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% for the years ended September 30, 2022 and 2021. 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.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Net 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, 2021	$ 10,281,828	$ 5,321,714	$ 4,960,114
Changes in the year:			
Service cost	126,548		126,548
Interest	585,519		585,519
Contributions - employer		703,543	(703,543)
Expected investment income, net of investment expense		(947,357)	947,357
Administrative expenses		(18,005)	18,005
Benefit payments (including implied subsidy)	(324,343)	(324,343)	
Net changes	387,724	(586,162)	973,886
Balance at September 30, 2022 (measurement date September 30, 2021)	$ 10,669,552	$ 4,735,552	$ 5,934,000

	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

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:

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	2022			2021		
	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Net OPEB liability	$ 7,212,344	$ 5,934,000	$ 4,859,551	$ 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:

	2022			2021		
	1% Decrease	Current Healthcare Cost Discount Rate	1% Increase	1% Decrease	Current Healthcare Cost Discount Rate	1% Increase
Net OPEB liability	$ 4,684,942	$ 5,934,000	$ 7,428,871	$ 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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended September 30, 2022 and 2021, the District recognized OPEB expense (benefit) of ($503,970) and ($776,320), respectively. At September 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 134,496	$ (45,198)	$ 294,914	$ (158,194)
Difference between expected and actual experience		(567,321)		(1,594,485)
Net differences between projected and actual earnings on plan investments	581,987			(619,670)
Total	$ 716,483	$ (612,519)	$ 294,914	$ (2,372,349)

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

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Fiscal Year Ended September 30,	2022	2021
2022		$ (1,170,407)
2023	$ (378,117)	(630,865)
2024	106,372	(146,376)
2025	122,961	(129,787)
2026	252,748	
	$ 103,964	$ (2,077,435)

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 2.4 years at September 30, 2021 and 0 years at September 30, 2022.

NOTE I – SETTLEMENT- 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 – 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. On February 17, 2022, the District Board authorized execution of the third

NOTE J – SITES PROJECT JOINT POWERS AUTHORITY (Continued)

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 $2,000,000 in three installments to support the Sites Project workplan through approximately December of 2024 on the following schedule:

- Up to $500,000 by May 1, 2022
- Up to $700,000 by January 1, 2023
- Up to $800,000 by January 1, 2024

A $500,000 payment was made to the Sites JPA on April 29, 2022, pursuant to the third amendment to the 2019 Reservoir Project Agreement. Additionally, on January 25, 2022, a payment of $55,000 was made to the Sites JPA to cover the District's share of the Sites JPA's administrative expenses during 2022. If the Sites JPA determines that a lower level of funding is sufficient to fund its operations through December of 2024, or if the District reduces its participation to a level less than 5,000 acre-feet, the payments due to the Sites JPA in 2023 and 2024 would be less than the maximum amounts identified above.

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

NOTE K – 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:

	ACWA JPIA	Commercial Insurance	Deductible/ Retention
General and Auto Liability (includes public officials and auto liability)	$ 5,000,000	$ 55,000,000	None
Property (includes boiler and machinery, earthquake and flood)	100,000	500,000,000	$ 500 to 100,000
Crime Program	100,000		1,000
Workers' Compensation Liability	2,000,000	Statutory to 4,000,000 program aggregate	None
Cyber Liability		5,000,000 per claim/ 5,000,000 aggregate	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 L – 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, 2022.

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 2022 was $42.93 per acre-foot for a total cost of $3,380,737.

However, the USBR granted the District a waiver to its contractual requirement to pay for a minimum amount of water during the 2022 contact period (April 2022 through October 2022) 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 2022 contract period by approximately $2.8 million.

Additionally, following each contract period, the USBR performs an analysis of the Central Valley Project 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 2022, 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 2022 contract period, the annual analysis is expected to be complete by the end of August 2023).

For the 2022 contract period the District expects the results of the annual analysis to show that the District has a deficit balance. Because the size of the anticipated deficit balance cannot be reliably estimated, no such deficit payment obligation is reflected in the District's financial position as of September 30, 2022.

The annual accounting analysis for the 2021 contract period was provided to the District during August of 2022. The analysis showed that the District had a deficit balance in the amount of $283,842 for the 2021 contract period. The District made a payment to the USBR in that amount on September 13, 2022.

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, 2022 is minimal.

NOTE M -SUBSEQUENT EVENTS

Following the 2022 irrigation season, the District determined that approximately 7,000 acre-feet of water that was purchased by growers wasn't delivered. As a result, at the October 25th meeting of the Board of Directors, the Board acted to refund landowners $200 per acre-foot for water that was purchased but not delivered, which resulted in the District refunding approximately $1.4 million.

In October 2022, the Board of Directors approved Resolution 2022-16 authorizing an agreement to appoint the Sacramento River Settlement (SRS) Contractors Corporation (a nonprofit corporation) (Corporation) as the District's agent for administration of a drought relief funding agreement with the U.S. Bureau of Reclamation (USBR) as allowed by the Drought Relief Act. The USBR and the Corporation approved agreement No. 22-WC-20-6001 for the USBR to purchase water from the SRS contractors that was conserved under severe drought conditions during the year ended September 30, 2022 to allow the USBR to reallocate the water for fish and wildlife purposes. The District received a drought relief payment from the Corporation of $22,515,524 in December 2022 under the agreement.

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

For the years ended September 30

Fiscal Period	2022	2021	2020	2019	2018
Total OPEB liability:					
Service cost	$ 126,548	$ 119,395	$ 115,917	$ 145,217	$ 658,294
Interest	585,519	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	(324,343)	(365,565)	(338,762)	(271,810)	(241,018)
Net change in total OPEB liability	387,724	(823,699)	(231,457)	514,708	(262,112)
Total OPEB liability - beginning	10,281,828	11,105,527	11,336,984	10,822,276	11,084,388
Total OPEB liability - ending (a)	$ 10,669,552	$ 10,281,828	$ 11,105,527	$ 11,336,984	$ 10,822,276
Plan fiduciary net position:					
Contributions - employer	$ 703,543	$ 468,932	$ 438,762	$ 271,810	$ 241,018
Net investment income	(947,357)	911,031	317,776	256,090	384,386
Adjustment for change in measurement date			148,425		
Administrative expenses	(18,005)	(18,006)	(13,481)	(12,052)	(9,197)
Benefit payments	(324,343)	(365,565)	(338,762)	(271,810)	(241,018)
Net change in plan fiduciary net position	(586,162)	996,392	552,720	244,038	375,189
Plan fiduciary net position - beginning	5,321,714	4,325,322	3,772,602	3,528,564	3,153,375
Plan fiduciary net position - ending (b)	$ 4,735,552	$ 5,321,714	$ 4,325,322	$ 3,772,602	$ 3,528,564
Net OPEB liability - ending (a)-(b)	$ 5,934,000	$ 4,960,114	$ 6,780,205	$ 7,564,382	$ 7,293,712
Plan fiduciary net position as a percentage of the total OPEB liability	44.38%	51.76%	38.95%	33.28%	32.60%
Covered-employee payroll - measurement period	$ 2,097,518	$ 2,321,694	$ 2,440,271	$ 2,420,352	$ 2,420,352
Net OPEB liability as percentage of covered-employee payroll	282.91%	213.64%	277.85%	312.53%	301.35%
Notes to schedule:					
Valuation date - year ended September 30	2021	2021	2019	2017	2017
Measurement period - year ended September 30	2022	2021	2020	2018	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 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN

For the years ended September 30

	2022	2021	2020	2019	2018
Statutorily required contribution - employer fiscal year	$ 232,683	$ 308,287	$ 293,620	$ 271,810	$ 241,018
Contributions in relation to the statutorily determined contributions	(614,158)	(308,287)	(293,620)	(271,810)	(241,018)
Contribution deficiency (excess)	$ (381,475)	$ -	$ -	$ -	$ -
Covered-employee payroll - employer fiscal year	$ 1,800,455	$ 2,097,518	$ 2,321,694	$ 2,440,271	$ 2,420,352
Contributions as a percentage of covered-employee payroll	34.11%	14.70%	12.65%	11.14%	9.96%

Notes to Schedule:

Valuation date - year ended September 30	2021	2021	2019	2017	2017
Measurement period - year ended September 30	2022	2021	2020	2018	2018

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-age normal cost method				
Amortization method	Level percentage of payroll				
Amortization period	Approximately 30 years				
Asset valuation method	5-year smoothed market				
Inflation	2.50%	2.50%	2.25%	3.00%	2.75%
Healthcare cost trend rates:					
Initial rate	4.00%	4.00%	7.00%	6.00%	6.00%
Trending down to	4.00%	4.00%	5.00%	5.00%	5.00%
Salary increases, average including inflation	2.75%	2.75%	3.00%	3.00%	3.00%
Discount rate	5.75%	5.75%	6.00%	6.00%	6.00%
Investment rate of return	5.75%	5.75%	6.00%	6.00%	6.00%
Retirement age	50-67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study				

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, 2022 and 2021

Schedule of Pension Plan Net Assets
As of September 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 245,027	$ 291,556
Receivables:		
Contributions	34,884	33,768
Investments	3,237	3,858
Investments at fair value	6,297,276	9,601,834
TOTAL ASSETS	6,580,424	9,931,016
NET ASSETS AVAILABLE FOR BENEFITS	$ 6,580,424	$ 9,931,016

Summary of Pension Plan Income and Expenses
For the Years Ended September 30, 2022 and 2021

	2022	2021
REVENUES		
Employer contributions	$ 408,329	$ 389,850
Pension benefit forfeitures	4,340	13,506
Investment earnings:		
Interest	197,522	196,112
Dividends	482,134	676,192
Net (decrease) increase in the fair value of investments	(1,952,100)	1,058,941
TOTAL REVENUES	(859,775)	2,334,601
EXPENSES		
Pension benefits paid	2,369,151	586,329
Administrative expenses	106,808	121,949
Realized loss	6,673	
Foreign tax expense	8,185	6,336
TOTAL EXPENSES	2,490,817	714,614
NET INCOME (LOSS)	$ (3,350,592)	$ 1,619,987

Fair Value of the Pension Plan Invested Assets
As of September 30, 2022 and 2021

	2022	2021
Common stock	$ 3,402,322	$ 5,448,909
Exchange traded and closed-end funds	850,021	1,347,792
Mutual funds	1,371,835	1,814,823
Corporate bonds	247,765	397,619
Government securities	425,333	592,691
TOTAL	$ 6,297,276	$ 9,601,834

Contribution and Participant Information
For the Years Ended September 30, 2022 and 2021

	2022	2021
Total District Payroll	$ 4,690,688	$ 4,627,530
Covered Payroll	$ 4,096,640	$ 4,077,111
District Contribution - 10%	$ 408,329	$ 389,850
Participants:		
Active	56	62
Retiree	0	0

OTHER REPORT

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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, 2022, 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 21, 2023.

Report on 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.

Report on 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 21, 2023