Tehachapi–Cummings County Water District

Our Water • Our Future

Tehachapi-Cummings County Water District

Tehachapi, California

Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

TEHACHAPI-CUMMINGS
COUNTY WATER DISTRICT
Tehachapi, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2023

Prepared by:

LaMinda Madenwald, Business Manager
&
Crystal Sampson, Accounting & Finance Specialist

Tehachapi-Cummings County Water District
Annual Comprehensive Financial Report
Year Ended June 30, 2023

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INTRODUCTORY SECTION

Tehachapi-Cummings County Water District
Our Water • Our Future

Directors:
John M. Ables
Jonathan Hall
Joseph B. Sasia
Robert W. Schultz
Rick Zanutto

Officers:
Robert W. Schultz, *President*
Jonathan Hall, *Vice President*
Thomas P. Neisler, *General Manager*
LaMinda Madenwald, *Treasurer*
Catherine Adams, *Secretary*

December 13, 2023

To the Board of Directors and Citizens of the Tehachapi-Cummings County Water District:

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that law, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Tehachapi-Cummings County Water District (District) for the fiscal year ended June 30, 2023.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Van Lant & Fankhanel, LLP, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the District's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

Profile of the Tehachapi-Cummings County Water District

The Tehachapi-Cummings County Water District was organized on March 10, 1965, under provisions of the County Water District Law (Sections 30000 et seq. of the Water Code of the State of California). The District is located in the Tehachapi Mountains east of the Southern San Joaquin Valley and encompasses approximately 266,000 acres. The District provides an imported water supply, groundwater resource management, and flood protection. The District imports State Water Project (SWP) water from the California Aqueduct and sells this imported water to municipal/industrial (M&I) and agricultural (Ag) customers.

The local groundwater supply is located in three basins, which are the Brite, Cummings, and Tehachapi Basins. The District is the court appointed Watermaster for these three adjudicated basins. As Watermaster, the District protects the groundwater resources within the basins by administering the judgments and providing annual reports to the Kern County Superior Court, as required.

The District is governed by a five-person board of directors elected "from divisions" to four-year staggered terms. "From divisions" means election of directors who are residents of the division from which they are elected by the voters of the entire District. The five divisions are roughly equal in acreage. The directors are responsible for policies and decisions which govern the operations of the District.

The District has operated under the council-manager form of government since its inception. Policy making and legislative authority are vested in the board of directors. The board is responsible for setting policy by ordinance, resolution, or minute order, adopting the budget, and hiring the general manager, legal counsel, and auditor. The general manager is responsible for carrying out the policies of the board, for overseeing the day-to-day operations of the District, and the hiring of all District employees. The District serves a population of approximately 37,000 residents.

The District's mission is to ensure the most reliable, cost-effective water supply for our customers through the importation of State Water Project water and management of the groundwater basins and to operate and maintain certain flood control structures to protect our customers' safety and property.

The annual budget serves as the foundation for the District's financial planning and control. All departments of the District are required to submit budget requests to the general manager on or before April 1 each year. The general manager and the business manager, together with an ad-hoc budget committee, prepare the draft budget. With the retirement of our business manager, commencing in 2024, the budget will be prepared by the general manager, assistant general manager, administration manager, and accounting & finance specialist. The board conducts at least two public hearings on the proposed budget and adopts a preliminary budget no later than June 30 and a final budget no later than September 1. The budget is prepared by funds (e.g., general) and departments (e.g., administration). Department heads may transfer resources within a department as they see fit. Transfers between funds must be approved by resolution of the board.

The District's Strategic Plan is a structured process that establishes long-term financial planning to guide operations and manage financial resources. The plan is updated biennially, with the most recent update approved on August 16, 2023. Each biennial Strategic Plan includes a Capital Improvement Plan with short-term (1-2 years), mid-term (3-5 years), and long-term (6-10 years) goals.

Information Useful in Assessing the District's Economic Condition

The financial position information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy. Since the District receives no sales or fuel taxes that are sensitive to the business cycle, nonoperating revenues (e.g., primarily property taxes) tend to be stable. Property taxes from income-producing properties can be impacted by the business cycle, but, generally, property taxes are more stable than revenues from other taxes. The District's tax base is estimated by Kern County to increase by approximately 6% in fiscal year 2024. The fiscal year 2023 growth rate was approximately 6%.

The District's water sales revenue decreased by 30% in fiscal year 2023. Fiscal year M&I sales decreased by 57% and fiscal year Ag sales decreased by 19%. Ag water deliveries in calendar year 2022 were 2,195 acre-feet (AF)

compared with 4,379 AF in 2021. M&I water deliveries were 268 AF in calendar year 2022 and 487 AF in 2021. Water delivery records are kept on a calendar year basis. Revenue and expenditure records are kept on a fiscal year basis. Thus, these records are not directly comparable.

State Water Project Allocation. The SWP allocation for 2023 was 100% or 19,300 AF. 2023 was the first time since 2006 that the Department of Water Resources (DWR) provided a 100% allocation. In January 2023, the allocation was 5%, in March it increased to 35%. The increase to 100% was announced on April 20, 2023, too late in the year to allow for effective use of these supplies. Nonetheless, the District will accept and bank all the available SWP supplies. The District entered 2023 with 65 AF of SWP carryover water.

Energy Costs. The District's water rates are driven by the price it pays for natural gas to power its pump plants. Natural gas prices have increased substantially for the past several years. Due to the District practice of securing a portion of our supplies three years in advance, we have been able to maintain stable pricing. Going forward, the District will continue its endeavor to lock in long-term natural gas supplies at prices that will stabilize its water rates at consistent levels for several years to come. However, this is becoming more difficult. The District has contracted for the majority of its natural gas needs through 2024. We have not been able to obtain favorable pricing for 2025 to date. Prices for 2025 have consistently been between $5.00 and $8.00 per MMBtu. With the 100% allocation in 2023, we have paid similar prices for "spot" purchases to supplement our prior contracts. However, our water rates cannot support natural gas purchases at these rates. We will continue to look for opportunities to procure future supplies at favorable costs.

Air Quality Regulations. The San Joaquin Valley Air Pollution Control District's Governing Board limited the District's engines at Pump Plant 1 to 4,000 operating hours per year, restricting the amount of water that could be pumped. To increase pumping capacity, the District successfully replaced all four engines and its system-wide controls in fiscal 2016 by entering into an installment purchase agreement with Umpqua Bank, dated April 1, 2015. The agreement provided for up to $7,000,000. The project was completed in fiscal year 2017 for approximately $5,781,000. Debt service payments began in December of 2015 and the debt will be extinguished in December of 2023.

Workforce. The District's workforce consists of 21 full-time positions and one to three temporary summer helpers.

Pension Liability. District employees are members of the California Public Employees' Retirement System (CalPERS). See Note 6 of the ACFR for the fiscal year ended June 30, 2023.

In the 2023 calendar year, the District paid down, as much as possible, of our outstanding pension unfunded accrued liability (UAL) balance for June 30, 2024, as reported in the CalPERS Actuarial Valuation as of June 30, 2022. The payment of $1,153,700 made in October 2023, left a UAL remaining balance for June 30, 2024, that was fully satisfied. In the 2022 calendar year, a payment of $2,600,000 was made in June, followed by a payment of $414,000 in September. These two payments made in the 2022 calendar year resulted in a UAL remaining balance, as valued at June 30, 2021, that was more than satisfied.

Reserves. Concurrently with the fiscal year 2023-24 budget, the board adopted an updated reserves policy, which sets forth reserve targets and an approach for accumulating reserves over time. The policy requires management to calculate full reserve targets and interim reserve targets and annually report to the board on the progress toward achieving those targets. As of June 30, 2023, all full or interim reserve targets are satisfied, with the exception of the three flood control improvement districts. Management will review the need for additional reserve contributions during budget development for the fiscal year 2024-25. The following table shows the amounts as of June 30, 2023:

Reserves	Reserve Formula	Full Reserve Target	Interim Reserve Target	Actual Reserve 6/30/2022	Actual Reserve 6/30/2023	Reserve Target Met?
DESIGNATED RESERVES						
70 General						
Working capital	90 days of operating expenses (prior year audit)	$2,025,900	$2,025,900	$2,242,400	$3,822,900	Full - Yes
71 Emergency						
Emergency reserve	5% of general fund operating expenses (prior year audit)	405,200	202,600	405,500	410,600	Full - Yes
72 Water Banking						
Water banking reserve	Cost to replace or extract banked water	2,000,000	2,000,000	2,018,500	2,263,600	Full - Yes
81 Major Repairs / Overhaul						
Asset maintenance / replacement reserve	5% of capital assets' book value (prior year audit)	1,699,400	849,700	1,700,300	1,745,100	Full - Yes
83 Capital Asset - Repl./ Upg.						
Strategic planning capital improvements	20% mid-term CIP	5,328,000	2,664,000	2,662,600	2,696,700	Interim - Yes
85 Tax Revenue Liability						
Tax revenue liability reserve	50% of Kern County's liability estimate	961,400	480,700	961,200	1,294,600	Full - Yes
87 Rate Stabilization						
Rate stabilization reserve	1 to 5% of general fund operating expenses	405,200	202,600	405,800	641,700	Full - Yes
RESTRICTED RESERVES						
73 Engine Project						
Project cost	Project cost per Certificate of Participation terms	-	-	-	11,809,600	N/A
76 Improvement District No. 2						
Asset maintenance / replacement reserve	50% of construction cost indexed for inflation	257,200	257,200	-	25,100	No
77 Improvement District No. 3						
Asset maintenance / replacement reserve	50% of construction cost indexed for inflation	571,500	571,500	178,800	166,300	No
82 State Payment						
Six-month operating reserve	50% of current year expenditure budget	2,193,500	2,193,500	2,613,200	4,314,200	Full - Yes
Tax revenue liability reserve	50% of Kern County's liability estimate	408,200	408,200	408,200	408,200	Full - Yes
86 Benefit Assessment District No. 1						
Asset maintenance / replacement reserve	50% of construction cost indexed for inflation	1,638,600	1,638,600	1,066,900	1,114,000	No

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District's ACFR for the fiscal year ended June 30, 2022, the fourteenth consecutive year of award. To receive this award, a government must publish an easily readable and efficiently organized ACFR that satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of this report was accomplished by the combined efforts of District staff. We are grateful for the dedicated efforts and professionalism that our staff members bring to the District. Additionally, we appreciate the professional assistance provided by Van Lant & Fankhanel, LLP, Certified Public Accountants. Finally, we would also like to thank the members of the board of directors for their continued support in the planning and implementation of the Tehachapi-Cummings County Water District's fiscal policies.

Sincerely,

Thomas P. Neisler
General Manager

Tehachapi-Cummings County Water District
Elected and Appointed Officials
June 30, 2023

Elected Officials

BOARD OF DIRECTORS

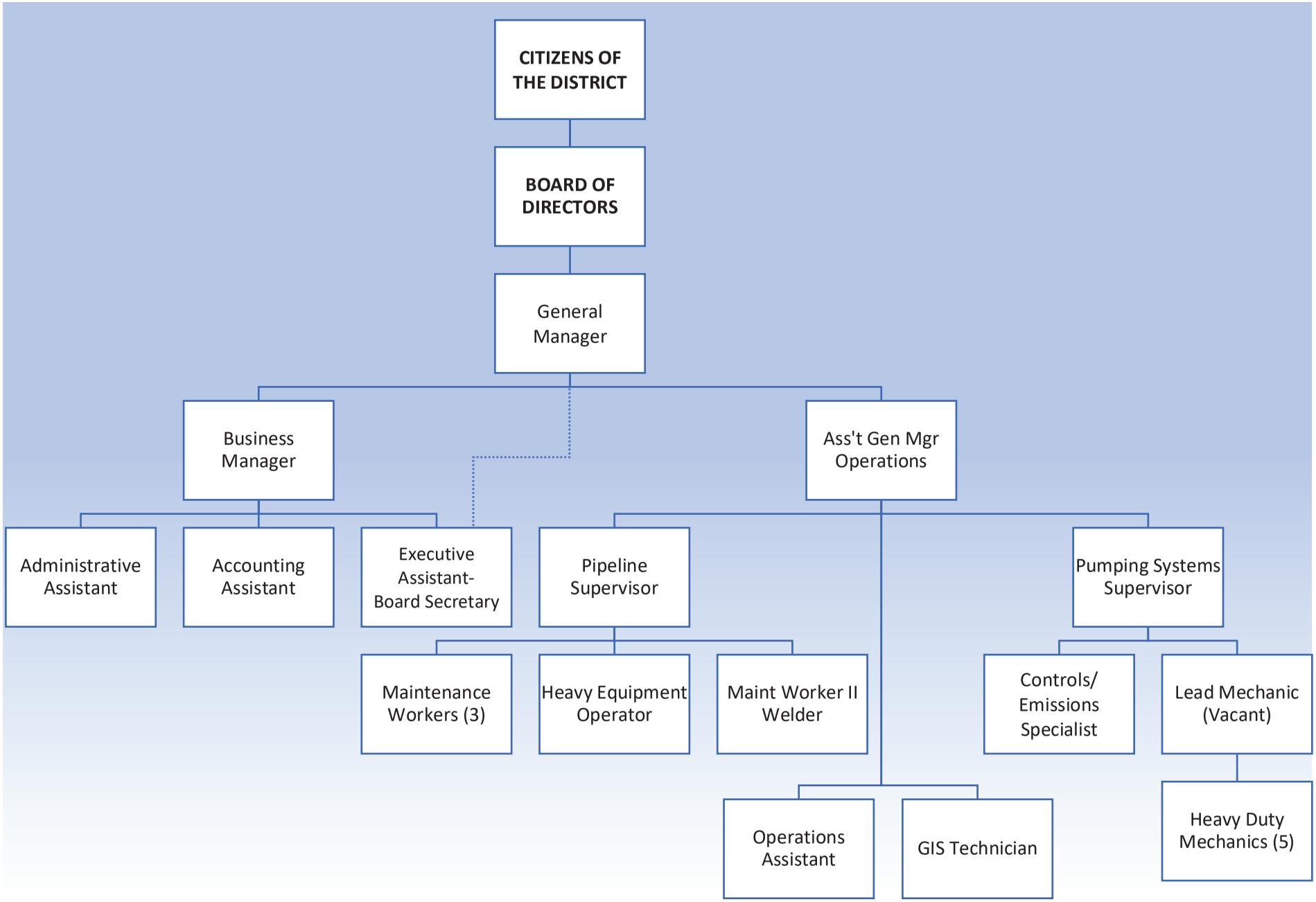
John M. Ables	December 2024
Jonathan Hall	December 2024
Joseph B. Sasia	December 2026
Robert W. Schultz	December 2026
Rick Zanutto	December 2024

Appointed Officials

Robert W. Schultz	President
Jonathan Hall	Vice-President
Thomas P. Neisler	General Manager
LaMinda Madenwald	Treasurer
Catherine Adams	Secretary

Tehachapi-Cummings County Water District
22901 Banducci Road
Tehachapi, California 93561
P.O. Box 326
Tehachapi, California 93581
(661) 822-5504 www.tccwd.com

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
ORGANIZATION CHART



Tehachapi-Cummings County Water District
Our Water • Our Future

Revision No. 13
Date: 8/10/2022

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tehachapi-Cummings County Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tehachapi-Cummings County Water District
Tehachapi, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Tehachapi-Cummings County Water District (District), as of and for the year ended June 30, 2023, 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 Tehachapi-Cummings County Water District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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.

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 opinions. 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 and other required supplementary information, 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.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions 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 a report dated December 13, 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 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 the District's internal control over financial reporting and on compliance.

Van Lant + Fankhanel, LLP

December 13, 2023

Tehachapi-Cummings County Water District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023

Introduction

As management of the Tehachapi-Cummings County Water District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - v of this report, basic financial statements, and notes to the basic financial statements. All amounts are expressed in whole dollars, unless otherwise indicated.

Financial Highlights

- The District's total combined cash balance increased by $14,355,749 (74%) over the prior fiscal year of which restricted cash increased by $12,561,181 (162%) and unrestricted cash increased by $1,794,568 (15%). The large increase in restricted cash was attributable to the District issuing $10,925,000 in Revenue Certificates of Participation in June of 2023.

- The District's total net position improved by $1,593,333 (5%) over the prior fiscal year to a balance of $33,039,692 as of June 30, 2023. The change in net position was comprised of an increase in restricted net position of $614,971 (8%) that was primarily attributable to an increase in State Water Payment Reserves, an increase of net investment in capital assets of $394,311 (3%) related to capital asset activity during the fiscal year, and the remaining increase in unrestricted net position of $584,051 (5%) pertained to the portion of the net position improvement that is not subject to external restrictions.

- During the year, the District's operating revenues decreased by $739,456 (30%) over the prior fiscal year. This was mainly due to limited amounts of water being available for sale due to extremely low (5%) water allocations that didn't improve to 100% until the last quarter of the fiscal year 2022-23.

- Operating expenses increased by $2,572,238 (26%) compared to the prior fiscal year, which was largely attributable to additional natural gas energy costs required to import and distribute the additional water allocations that were made at the end of the fiscal year and partially due to an additional $414,000 unfunded accrued liability (UAL) payment that was made.

- Total long-term liabilities increased by $10,807,194 (530%) over the prior fiscal year mainly due to the issuance of $10,925,000 in Revenue Certificates of Participation and $1,137,601 in unamortized premium. The biggest decreases to long-term liabilities was a $743,752 principal reduction in the 2015 Installment Agreement and a $367,198 reduction in net pension liability attributable to the additional UAL payment made during the 2022-23 fiscal year.

Overview of the Financial Statements

The financial section of this annual report includes management's discussion and analysis, basic financial statements, required supplementary information, and supplementary information. The District reports information using accounting principles appropriate for an enterprise fund to report its activities, which is the same accounting framework used by private sector companies. An enterprise fund is a distinct fiscal entity that carries on its activities with the objective of recovering its costs through user charges.

Basic Financial Statements. The basic financial statements include three types of statements that are interconnected and create different views of the District's activities and performance as well as notes that

explain in more detail some of the information in the financial statements and can be found on pages 12-34 of this report.

Statement of Net Position. This statement shows the District's financial position as of June 30, 2023, and includes its assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position represents the District's remaining value after the liabilities and deferred inflows of sources are deducted from assets and deferred outflows of sources. It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses, and Change in Net Position. The current year's revenues and expenses for the year ended June 30, 2023, are identified within this report. Additionally, this statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its operating (e.g., water sales, user fees, and other charges) and nonoperating revenues (e.g., taxes and assessments).

Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It also provides answers to such questions as: Where did cash come from? What was cash used for? And what was the cash balance during the reporting period?

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the basic financial statements. This information can be found on pages 15-34 of this report.

Required Supplementary Information. Although not considered to be part of the basic financial statements, required supplementary information (RSI) is an essential part of financial reporting as it provides a full understanding of the basic financial statements by placing them in an appropriate operational, economic, or historical context. RSI includes this management's discussion and analysis report as well as schedules providing details about pension and other postemployment benefit liabilities. This information can be found on pages 35-38 of this report.

Supplementary Information. For the purposes of additional analysis, the provided supplementary information was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. This section includes rate covenant information and combining statements and can be found on pages 39-43 of this report.

Financial Analysis of the District

The Statement of Net Position (page 12) and Statement of Revenues, Expenses, and Changes in Net Position (page 13) provide an indication of the District's financial condition and measure whether the financial condition of the District improved during the last fiscal year. In this analysis, the District uses a summarized format of those statements to reflect on trend information for periods prior to the period presented in the financial statements.

Net Position. As previously noted, net position may serve over time as a useful indicator of a government's financial strength. The District's Statements of Net Position (Table 1) shows assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by $33,039,692 as of fiscal year end 2023, for an overall net increase of $1,593,333 (5%) compared with the prior year.

In addition to presenting assets, liabilities, and net position, this statement also has separate sections for deferred outflows/inflows of resources. These sections represent, respectively, the consumption/acquisition of net assets that applies to future periods and will not be recognized as an expense/revenue until then.

At 37%, respectively, the largest portions of the District's net position are comprised of the net investment in capital assets (e.g., land, water infrastructure, and equipment) of $12,328,410 and unrestricted net position of $12,244,825. The net investment in capital assets increased by 3% ($394,311) over the prior year and is used by the District to provide services to citizens and its customers; consequently, these assets are not available for future spending. An unrestricted net position may be used to meet the District's ongoing obligations. As of June 30, 2023, the District shows that unrestricted net position improved by $584,051 (5%) over the prior year. The remaining 26% of the District's net position ($8,466,457) is externally restricted by state law, which is an increase of $614,971 (8%) over the prior year. See Note 4 on pages 23 - 24 for additional information about restricted assets.

Table 1
Condensed Statements of Net Position
June 30, 2023 and 2022
(in thousands)

	2023	2022	Dollar Change	Percent Change
ASSETS				
Current Assets	$ 13,898	$ 12,386	$ 1,512	12%
Noncurrent Assets	20,334	7,773	12,561	162%
Capital Assets, Net of Depreciation	12,907	13,004	(96)	-1%
Total Assets	47,139	33,163	13,977	42%
DEFERRED OUTFLOWS OF RESOURCES	2,769	3,260	(492)	-15%
LIABILITIES				
Current Liabilities	1,630	1,308	322	25%
Noncurrent Liabilities	12,848	2,041	10,807	530%
Total Liabilities	14,478	3,349	11,129	332%
DEFERRED INFLOWS OF RESOURCES	2,390	1,628	762	47%
NET POSITION				
Net Investment in Capital Assets	12,328	11,934	394	3%
Restricted	8,466	7,851	615	8%
Unrestricted	12,245	11,661	584	5%
Total Net Position	$ 33,040	$ 31,446	$ 1,593	5%

Note: Numbers may not foot due to rounding.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022
(in thousands)

	2023	2022	Dollar Change	Percent Change
OPERATING REVENUES				
Water Sales	$ 1,659	$ 2,367	$ (708)	-30%
Other Operating Revenues	70	101	(32)	-31%
Total Operating Revenues	1,729	2,468	(739)	-30%
NONOPERATING REVENUES				
Taxes and Assessments	10,970	10,475	495	5%
Benefit Assessments	113	110	4	3%
Grant Revenue	-	300	(300)	-100%
Other Nonoperating Revenues	1,303	314	989	315%
Total Nonoperating Revenues	12,386	11,199	1,188	11%
TOTAL REVENUES	14,115	13,667	448	3%
EXPENSES				
Depreciation Expense	1,007	994	13	1%
Other Operating Expenses	11,448	8,889	2,559	29%
Nonoperating Expenses	67	41	26	63%
TOTAL EXPENSES	12,522	9,924	2,598	26%
Income Before Special Item	1,593	3,743	(2,150)	-57%
Special Item - Natural Gas Resale	-	994	(994)	-100%
Change in Net Position	1,593	4,737	(3,144)	-66%
Net Position - Beginning	31,446	26,709	4,737	18%
Net Position - Ending	$ 33,040	$ 31,446	$ 1,593	5%

Note: Numbers may not foot due to rounding.

Revenues, Expenses, and Changes in Net Position. Various revenue streams, expense categories, any special items, and their resulting effect on the net position are identified in the Statements of Revenues, Expenses, and Changes in Net Position (Table 2). During the year, revenues exceeded expenses by $1,593,333, which resulted in an increase to net position by the same amount. Although there was a positive change in the net position during the year, the increase was 66% less than the prior year's increase in net position of $4,737,531, which was already up 34% over the fiscal year 2020-21.

During the fiscal year, the District's total revenues were $14,115,419 and only 12% of that revenue was attributable to the operating revenues of water sales and services whereas nonoperating revenues of taxes and assessments brought in the most revenue at 79%. During the prior fiscal year, total revenues were $13,667,555 of which 18% was attributable to water sales and services and 77% pertained to nonoperating revenues of taxes and assessments. Further, operating revenues decreased 30% over the prior fiscal year 2021-22, which had already decreased 40% from the fiscal year 2020-21. Conversely, trending in the opposite direction, nonoperating revenues increased 10% over the prior fiscal year 2021-22, which was already up 11% over fiscal year 2020-21. The relation between operating and nonoperating revenues have been skewed in this fashion over the past several years as water allocations have been low due to drought conditions, which left less supply available for sale while taxable property values have continued to increase. During fiscal year 2023, revenue from municipal & industrial (M&I) water decreased by 57% while revenue from agricultural water sales decreased by 19%.

The District's total expenses were $12,522,086 and 72% of expenses pertained to operating expenses associated with source of supply, pumping, and transmission and distribution. The biggest driver of the 26% or $2,572,238 increase in operating expenses over the prior fiscal year was primarily due to the increased natural gas energy costs associated with importing and distributing water at the end of fiscal year 2022-23, when the District's water allocation went from 5% to 100% due to a historically wet season that brought all of California out of a drought. Once the increase in allocation was made, the District ramped up its water importation efforts. These increases in water quantities being imported late in the fiscal year when demand for the water was down, meant increased operating costs that were not offset by increased operating revenues prior to the year ended June 30, 2023. General and Administrative Expenses also experienced a 39% increase over the prior period, which was largely attributable to a $414,000 additional UAL payment that was made to fund the District's net pension liabilities due to portfolio underperformance by CalPERS.

To establish more stable energy prices, the District commits to advance purchases of natural gas from Shell Energy. When the District receives water allocations that are much lower than forecasted and it is unable to import the forecasted amount of water, excess quantities of natural gas become available for resale to Shell Energy. These types of transactions have been infrequent and when they have occurred, the gains were minimal. However, in fiscal year 2021-22, $994,110 in revenue was recognized because of natural gas resales. Therefore, the revenue was separately reported as a Special Item at the bottom of the Statement of Revenues, Expenses, and Changes in Net Position. Then, in fiscal year 2022-23, since a large amount of revenue was again recorded for natural gas resales, it was determined this situation has become less infrequent. Therefore, the gains were recorded at other revenue, which is why other revenue increased by $729,476 (440%) over the prior year.

Capital Assets and Debt Administration

Capital Assets. As of June 30, 2023, the District had invested $36,290,041 in a broad range of capital assets (Table 3). This amount represents a net increase (i.e., additions less deductions) of $825,284 or 2% compared with last year due to water system improvements, various capital improvement projects in process, and vehicle and equipment acquisitions during the year. Accumulated depreciation increased 4% due to these improvements. The District's capital assets are 67% depreciated. Per the District's capitalization policy, assets with a value exceeding $5,000 are capitalized. See Note 3 on page 23 for more detailed information on capital asset activity.

Table 3
Capital Assets
June 30, 2023 and 2022
(in thousands)

	2023	2022	Dollar Change	Percent Change
Land	$ 931	$ 931	$ -	0%
Construction in Progress	354	-	354	100%
Water System Improvements	30,458	30,202	256	1%
General Office, Shop, and Equipment	4,326	4,111	215	5%
Flood Control Facilities	220	220	-	0%
Total Capital Assets	36,290	35,465	825	2%
Less Accumulated Depreciation	(23,383)	(22,461)	(922)	4%
Net Capital Assets	$ 12,907	$ 13,004	$ (97)	-1%

Long-term Liabilities. At the end of the current fiscal year, the District had total long-term liabilities of $13,794,443, an increase of 389% compared to the prior year (Table 4). This amount includes outstanding principal balances for the 2023 Revenue Certificates of Participation and 2015 Installment Agreement and long-term liabilities for compensated absences, pension, and other postemployment benefits. More detailed information pertaining to long-term liabilities can be found at Note 5 on pages 24 - 25.

Table 4
Long-term Liabilities
June 30, 2023 and 2022
(in thousands)

	2023	2022	Dollar Change	Percent Change
Compensated Absences	$ 124	$ 101	$ 23	22%
Net OPEB Liability	34	35	(1)	-3%
Net Pension Liability	1,248	1,615	(367)	-23%
2023 Certificates of Participation	12,063	-	12,063	100%
2015 Installment Agreement	326	1,070	(744)	-70%
Total Long-term Liabilities	$ 13,794	$ 2,821	$ 10,973	389%

Economic Factors and Next Year's Budget and Rates

- Assessed valuations of the Tehachapi-Cummings County Water District will increase by approximately 6.1% in fiscal year 2023-24. A stable or growing tax base is extremely important for the District, as approximately 83% of the general reserve's total revenue in 2022-23 was from general property taxes, which are directly linked to assessed valuations.
- The 2023-24 tax rate reflects balanced State Water Project obligations, revenues, and expenditures. The amount required to be collected from the tax levy will increase slightly from the current fiscal year (to 0.053732% from 0.053498%) due to reserve balances.
- The Department of Water Resources provided a 2023 State Water Project allocation of 100%. This allocation will allow the district to meet our forecast demands, recharge obligations and goals.
- The sale of agricultural imported water is forecast to increase in 2023-24 by at least 10%.
- M&I water sales are forecast to increase slightly over the prior fiscal year in 2023-24.
- The District increased banked water supplies on its own account by 1,047 AF in 2022-23, all in calendar 2023. The District will continue water banking on its own account.
- As of January 1, 2017, all term M&I customers are required to bank water and execute the necessary contracts.
- The District has a contract with California Correctional Institution (CCI) to purchase high-quality disinfected tertiary recycled water. This recycled water, under a permit with the State to distribute it, is sold for golf course irrigation and for non-food crop agricultural irrigation.
- Investment earnings are projected to be slightly higher into the fiscal year 2023-24 than the fiscal year just ended due to investment fund balances and interest rates. For the fiscal year 2022-23, the annualized yield on money invested in the Kern County Treasury Pool was 2.650% and the average yield on money invested in the Local Agency Investment Fund (LAIF) was 3.167% versus 0.999% and 0.861%, respectively, for the fiscal year 2021-22.
- Employee benefit costs account for 33% of total salaries and benefits in the adopted 2023-24 budget.
- Currently, staff is comprised of 21 full-time employees plus 1 to 3 temporary, full-time summer helpers.
- The District marketed $11,900,000 of municipal bonds in 2023 to fund the replacement of eight engines at Pumping Plants 2 and 3. The repayment term is 15 years.
- The District has met its goal of purchasing its supply of natural gas at a price of $5/MMBtu or less over the past ten pumping seasons. The District has contracted for the majority of its natural gas needs through 2024. However, natural gas prices have soared. We have paid spot prices in excess of $6/MMBtu in 2023 and anticipate prices to remain high.
- The District is contracting for preparation of a Cost-of-Service, Rate and Fee Study. The study will review district expenses, including increased natural gas costs and additional debt service for the new bonds. The study will be completed in 2024 and if rate increases are indicated, the required Proposition 218 protest elections will be held.
- The District's pressure zone water rates were developed in 2010 to generate revenues that closely matched costs to reduce operating losses in the general reserve. During the fiscal year 2023-24, the District will be performing a water rate study to determine if a water rate change is necessary to keep up with rising costs.
- The adopted 2023-24 budget includes a reserves policy, which sets forth reserve targets and an approach to accumulating those reserves over time. As of June 30, 2023, all of the interim or full reserve targets had been satisfied except for the three flood control improvement districts.
- As in prior years, the District will not establish a budget for depreciation expense.

All of these factors were considered in preparing the Tehachapi-Cummings County Water District's budget for the 2023-24 fiscal year. The final budget for 2023-24 fiscal year was approved by the District's Board of Directors on August 16, 2023.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office in-person at 22901 Banducci Road, Tehachapi, California 93561, by mail at P.O. Box 326, Tehachapi, CA 93581, or by email at tccwd@tccwd.com.

BASIC FINANCIAL STATEMENTS

Tehachapi-Cummings County Water District
Statement of Net Position
June 30, 2023

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 13,394,827
Accounts Receivable	249,420
Accrued Interest Receivable	141,780
Taxes Receivable	27,470
Prepaid Expenses and Refundable Deposits	84,017
Total Current Assets	13,897,514
Noncurrent Assets:	
Restricted Assets:	
Cash and Cash Equivalents	20,334,425
Capital Assets Not Being Depreciated:	
Land	832,021
Land Not in Use	99,355
Construction in Progress	354,168
Capital Assets, Net of Accumulated Depreciation	11,621,727
Total Noncurrent Assets	33,241,696
Total Assets	47,139,210
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	2,768,876
LIABILITIES	
Current Liabilities:	
Accounts Payable	565,311
Accrued Wages Payable	67,192
Interest Payable	44,003
Customer Deposits	7,331
Current Portion of Long-term Debt	946,332
Total Current Liabilities	1,630,169
Noncurrent Liabilities:	
Compensated Absences Payable	79,340
Bonds Payable, Less Current Portion	11,486,761
Net OPEB Liability	33,869
Net Pension Liability	1,248,141
Total Noncurrent Liabilities	12,848,111
Total Liabilities	14,478,280
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	2,390,114
NET POSITION	
Net Investment in Capital Assets	12,328,410
Restricted For:	
Water Payment	7,124,188
Improvement Districts	1,342,269
Unrestricted	12,244,825
Total Net Position	$ 33,039,692

The accompanying notes are an integral part of this statement.

Tehachapi-Cummings County Water District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023

OPERATING REVENUES	
Water Sales	$ 1,659,192
Water Services	69,752
Total Operating Revenues	1,728,944
OPERATING EXPENSES	
Source of Supply	3,716,290
Pumping	3,665,907
Transmission and Distribution	1,577,265
General and Administrative	2,488,540
Depreciation	1,007,266
Total Operating Expenses	12,455,268
Operating Income (Loss)	(10,726,324)
NONOPERATING REVENUES (EXPENSES)	
Taxes and Assessments	10,970,168
Benefit Assessments	113,435
Interest and Penalties	407,788
Interest Expense	(66,536)
Gain/(Loss) on Sale of Capital Assets	(282)
Other Revenues	895,084
Total Nonoperating Revenues (Expenses)	12,319,657
Change in Net Position	1,593,333
Net Position - Beginning of Year	31,446,359
Net Position - End of Year	$ 33,039,692

The accompanying notes are an integral part of this statement.

Tehachapi-Cummings County Water District
Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows from Operating Activities	
Cash Received from Customers	$ 1,716,005
Cash Payments to Employees for Services	(3,276,513)
Cash Payments to Suppliers for Goods and Services	(7,158,150)
Other Operating Cash Receipts	1,301,261
Net Cash Provided (Used) by Operating Activities	(7,417,397)
Cash Flows from Non-capital Financing Activities	
Receipts from Property Taxes and Assessments	11,082,673
Net Cash Provided (Used) by Non-Capital Financing Activities	11,082,673
Cash Flows from Capital and Related Financing Activities	
Payments for Purchase and Construction of Property and Equipment	(931,105)
Proceeds from Sale of Capital Assets	20,000
Proceeds from Issuance of Debt	12,062,601
Payment on Long-Term Debt	(743,752)
Interest Paid on Long-Term Debt	(22,533)
Net Cash Provided (Used) by Capital and Related Financing Activities	10,385,211
Cash Flows from Investing Activities	
Receipt of Interest Income	305,262
Net Cash Provided (Used) by Investing Activities	305,262
Net Increase (Decrease) in Cash and Cash Equivalents	14,355,749
Cash and Cash Equivalents - Beginning of Year	19,373,503
Cash and Cash Equivalents - End of Year	$ 33,729,252
Cash and Cash Equivalents as Reported in the Statement of Net Position	
Unrestricted Cash	$ 13,394,827
Restricted Cash	20,334,425
Total Cash and Cash Equivalents	$ 33,729,252
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (10,726,324)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	1,007,266
Other Revenue	895,084
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Water Customers	(12,939)
(Increase) Decrease in Other Receivables	406,177
(Increase) Decrease in Prepaid Expenses and Refundable Deposits	(7,033)
(Increase) Decrease in Deferred Outflows - Pensions	491,668
Increase (Decrease) in Accounts Payable	111,974
Increase (Decrease) in Accrued Wages Payables	(89)
Increase (Decrease) in Customer Deposits	-
Increase (Decrease) in Compensated Absences Payable	22,702
Increase (Decrease) in Deferred Inflows - Pension	762,350
Increase (Decrease) in Net OPEB Liability	(1,035)
Increase (Decrease) in Net Pension Liability	(367,198)
Net Cash Provided (Used) by Operating Activities	$ (7,417,397)

The accompanying notes are an integral part of this statement.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2023

NOTE	DESCRIPTION	PAGE
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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Tehachapi-Cummings County Water District (the "District") was established by local election held within the boundaries of the proposed District on February 16, 1965, and by resolution of the Kern County Board of Supervisors in accordance with the provisions of the County Water District Law, Division 12, Section 30,000 ET. seq., of the Water Code of the State of California. The District is a successor to the Tehachapi-Cummings Water Conservation District and by motion of the Board of Directors all of its existing assets, liabilities, and equities were transferred to the newly formed District effective April 15, 1965. The District is governed by a Board of Directors comprised of five members who are voters within the District.

The District was formed to provide for the organization and management of water works by the acquisition or construction of water facilities for distribution and sale of water. The District's area is approximately 266,000 acres.

The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Currently, the District has no such component units to report.

B) Financial Reporting

The District has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Statement No. 34, as amended, established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications, as stated in Governmental Accounting Standards Board Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,"* which was implemented by the District in the 2012-13 fiscal year, are defined as follows:

Net Investment in Capital Assets Component of Net Position: This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position components as the unspent proceeds.

Restricted Component of Net Position: This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Component of Net Position: This component of net position consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment of capital assets."

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Fund Accounting

The District utilizes accounting for enterprise entities that account for operations (a) 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges for water sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of cash payments or receipts.

E) Basis of Presentation

The District's basic financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting* and conform to accounting principles generally accepted in the United States of America.

When both restricted and unrestricted resources are available for use, it is the District's practice to first expend restricted resources, subsequently utilizing unrestricted resources as needed.

F) Accounts Receivable

The District provides for probable uncollectible amounts in accounts receivable through a charge to earnings and a credit to a valuation allowance based on its assessments of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

G) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows related to the pension and OPEB contributions in accordance with GASB Statements No. 68 and 75.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, which is a result of the District's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* which qualifies for reporting in this category.

H) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

I) Capital Assets

Capital assets are stated at cost and are being depreciated over their estimated useful lives, ranging from 5 to 50 years. The District uses a capitalization threshold of $5,000. Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received. Depreciation of capital assets is computed principally on the straight-line method over the following estimated useful lives:

	Years
Buildings	40-50
Wells, Pipelines, and Other Delivery Infrastructure	20-75
Transportation Equipment	7-15
Office Equipment	5-10

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is included in operations.

J) Flood Control Improvement Districts No. 2, No. 3, and Assessment Zone No. 1

These three special improvement districts are maintained separate from other activities of the Tehachapi-Cummings County Water District, although falling within its jurisdiction. The District is responsible for the maintenance of the three flood control districts, which impose a separate tax on property within their boundaries for maintenance of facilities. As special improvement districts, no depreciation of capital assets is recognized.

K) Compensated Absences

Accumulated unpaid employee vacation and sick leave benefits are accrued by the District. The total accumulated vacation and sick leave benefits included in these financial statements as compensated absences payable amounted to $123,969 at June 30, 2023.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L) Taxes Receivable and Allowance for Delinquent Taxes

Unapportioned taxes in the County Treasury at year-end are recorded as current assets of the District. Delinquent taxes for the current year are only recognized as assets and are offset by an allowance of equal amount, having the effect of a zero balance for delinquent taxes receivable.

M) Inventory of Water in Storage

Water in the District's reservoir facility at June 30, 2023, measured approximately 1,614 acre-feet. Of this amount, 450 acre-feet is considered a minimum pool for emergency reserve. The remaining 1,164 acre-feet in storage on June 30, 2023, is for the purpose of agricultural peaking when the demand is greater than the system pumping capacity. The value of this water is not recorded as an asset of the District; said policy is consistent with prior years.

N) Property Taxes

Under California law, property taxes are assessed and collected by counties for up to 1 percent of assessed value, plus other increases as approved by affected voters. Property tax revenues are pooled and then allocated based on assessed valuation. Property taxes on the second rolls are payable in two installments, November 1 and February 1. Property tax payments become delinquent after December 10 and April 10, respectively.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	- 1st Installment
	February 1	- 2nd Installment
Delinquent Date	December 10	- 1st Installment
	April 10	- 2nd Installment

O) Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents also include cash on hand and amounts deposited with banks, the Kern County Treasurer's office, and the Local Agency Investment Fund (LAIF).

P) Investments

Investments are reported in the accompanying Statement of Net Position at fair value.

Q) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Tehachapi-Cummings County Water District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R) 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, generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

2) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Current Assets - Cash	$	13,394,827
Noncurrent Assets - Restricted Cash		20,334,425
Total Cash	$	33,729,252

Cash and investments as of June 30, 2023, consist of the following:

Petty Cash	$	500
Deposits with Financial Institutions		1,117,147
Investments		32,611,605
Total Cash and Investments	$	33,729,252

Investments Authorized by the District's Investment Policy

The District's investment policy authorizes investment of funds in the Investment Pool of the County of Kern and LAIF. The investment policy does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements.

Disclosures Relating to Interest Rate Risk and Credit 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 manages its exposure to interest rate risk by investing funds only in the County of Kern investment pool and LAIF; however, the District does not have a formal policy regarding interest rate risk.

2) CASH AND INVESTMENTS - Continued

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. The District does not have a formal policy regarding credit risk. Neither the County investment pool or LAIF are rated.

As of June 30, 2023, the District had the following investments and maturities:

		Investment Maturities		
Investment Type	Fair Value	Less than 1 Year	1 Year to 5 Years	6 Years to 10 Years
Kern County Pool	$ 19,128,840	$ 19,128,840	$ -	$ -
Local Agency Investment Fund	1,673,162	1,673,162	-	-
Investments held by Bond Trustee:				
Money Market Mutual Funds	11,809,603	11,809,603	-	-
Total	$ 32,611,605	$ 32,611,605	$ -	$ -

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of year-end, the District had no investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investments pools) that represent 5% or more of total District investments.

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 the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit 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 or local government units by pledging securities in an undivided collateral pool held by depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the 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.

As of June 30, 2023, the District did not have deposits with financial institutions in excess of federal depository insurance limits, held in uncollateralized accounts.

2) CASH AND INVESTMENTS - Continued

Fair Value of Investments

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 the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The District's fair value measurements are as follows:

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

County Pool

Cash funds deposited with the Kern County Treasurer's office are in a pooled money fund. The County of Kern Investment Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27143. Pooled funds may be invested in: (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, and (3) savings accounts at savings and loan associations and banks, to the extent fully insured.

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 the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis.

3) CAPITAL ASSETS

Presented in the following table is the District's capital asset activity for the 2022-23 fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 832,021	$ -	$ -	$ 832,021
Land Not in Use	99,355	-	-	99,355
Construction in Progress	-	354,168	-	354,168
Capital Assets, Not Depreciated	931,376	354,168	-	1,285,544
Capital Assets Being Depreciated:				
Pumping Plants	13,315,344	80,943	-	13,396,287
Mainline Pipeline	4,293,120	-	-	4,293,120
Dam and Reservoir	2,018,541	100,540	-	2,119,082
Transmission and Distribution System	1,826,367	23,242	-	1,849,609
General Office, Shop, and Equipment	4,110,654	320,982	(105,821)	4,325,814
Emissions Reduction	5,476,360	-	-	5,476,360
Water Reclamation	388,990	-	-	388,990
Groundwater Recharge and Recovery	2,883,581	51,230	-	2,934,811
Flood Control Facilities	220,424	-	-	220,424
Capital Assets Being Depreciated	34,533,381	576,937	(105,821)	35,004,497
Less Accumulated Depreciation:				
Pumping Plants	(7,747,425)	(605,915)	-	(8,353,340)
Mainline Pipeline	(2,745,941)	(57,242)	-	(2,803,183)
Dam and Reservoir	(979,597)	(25,440)	-	(1,005,037)
Transmission and Distribution System	(1,342,582)	(26,359)	-	(1,368,941)
General Office, Shop, and Equipment	(2,616,736)	(199,631)	85,539	(2,730,828)
Emissions Reduction	(5,476,360)	-	-	(5,476,360)
Water Reclamation	(85,579)	(7,780)	-	(93,359)
Groundwater Recharge and Recovery	(1,460,243)	(84,900)	-	(1,545,143)
Flood Control Facilities	(6,580)	-	-	(6,580)
Total Accumulated Depreciation	(22,461,043)	(1,007,266)	85,539	(23,382,770)
Net Capital Assets, Depreciated	12,072,338	(430,329)	(20,282)	11,621,727
Total Capital Assets	$ 13,003,714	$ (76,161)	$ (20,282)	$ 12,907,271

4) RESTRICTED ASSETS

Water Payment Reserves: This cash is restricted by tax assessment for payment of the District's obligations to the Kern County Water Agency for the District's share of State Water Project costs pursuant to contracts for agricultural water and municipal & industrial water.

Improvement District #2 Reserves: This cash is restricted by tax assessment for flood control maintenance, operations, and capital improvements within the boundaries of Improvement District #2.

Improvement District # 3 Reserves: This cash is restricted by tax assessment for operations and improvements within Improvement District #3.

4) RESTRICTED ASSETS – Continued

Assessment Zone #1 Reserves: This cash is restricted by tax assessment for operations and improvements within Assessment Zone #1.

Cash is restricted at June 30, 2023, as follows:

Water Payment Reserves	$	7,212,062
Improvement District #2		25,112
Improvement District #3		166,299
Assessment Zone #1		1,114,018
Cash with fiscal agent		11,809,603
Customer Deposits		7,331
Total	$	20,334,425

5) LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities for the year ended June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	$ 101,267	$ 82,358	$ 59,656	$ 123,969	$ 44,629
Net OPEB Liability	34,904	-	1,035	33,869	-
Net Pension Liability	1,615,339	-	367,198	1,248,141	-
2023 Revenue Certificates of Participation	-	10,925,000	-	10,925,000	500,000
Unamortized Premium	-	1,137,601	-	1,137,601	75,840
Direct Borrowing:					
2015 Installment Agreement	1,069,615	-	743,752	325,863	325,863
Total Long-term Liabilities	$ 2,821,125	$ 12,144,959	$ 1,171,641	$ 13,794,443	$ 946,332

2015 Installment Agreement

As of April 1, 2015, the District entered into an installment purchase agreement with Umpqua Bank (Bank) to finance certain improvements to the District's water system (project). The Bank agreed to provide project funds of up to $7,000,000, of which the District received $5,780,810 at project completion. Installment payments include principal and interest at 2.51% per annum. Amounts borrowed are secured by net revenues received by the District from ownership and operation of the water system.

100% of the water system revenues are pledged to repayment of the bonds and approximate $3 million per year. For the 2022-23 fiscal year, system net revenues were $1,899,250, while total principal and interest payments on the installment purchase agreement totaled $766,284. The installment purchase agreement contains a provision that in an event of default, outstanding amounts may become immediately due and payable.

The loan is a direct borrowing. The future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 325,863	$ 4,158	$ 330,021
Total	$ 325,863	$ 4,158	$ 330,021

5) LONG-TERM LIABILITIES - Continued

2023 Revenue Certificates of Participation

In June of 2023, the District issued $10,925,000 in 2023 Revenue Certificates of Participation (Certificates or COPs), to finance certain capital improvements to the District's water system. The Certificates are payable from Series 2023 installment payments payable by the District pursuant to an Installment Purchase Agreement, dated as of June 1, 2023. The obligation of the District to make installment payments is a special obligation of the District payable solely from Net Revenues, consisting of revenues of the District's water system remaining after payment of operation and maintenance costs.

Interest due with respect to the Certificates (5%) is payable on June 1 and December 1 of each year, commencing on December 1, 2023. 100% of the water system revenues are pledged to repayment of the bonds and approximate $3 million per year. For the 2022-23 fiscal year, system net revenues were $1,899,250. There were no principal and interest payments due for the 2022-23 fiscal year. The installment purchase agreement contains a provision that in an event of default, outstanding amounts may become immediately due and payable.

The future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 500,000	$ 537,146	$ 1,037,146
2025	530,000	521,250	1,051,250
2026	560,000	494,750	1,054,750
2027	585,000	466,750	1,051,750
2028	615,000	437,500	1,052,500
2029	645,000	406,750	1,051,750
2030	680,000	374,500	1,054,500
2031	715,000	340,500	1,055,500
2032	750,000	304,750	1,054,750
2033	785,000	267,250	1,052,250
2034	825,000	228,000	1,053,000
2035	865,000	186,750	1,051,750
2036	910,000	143,500	1,053,500
2037	955,000	98,000	1,053,000
2038	1,005,000	50,250	1,055,250
Total	$ 10,925,000	$ 4,857,646	$ 15,782,646

6) DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pool. Accordingly, rate plans within the miscellaneous pool are not separate plans under GASB Statement No. 68.

Individual employers may sponsor more than one rate plan in the miscellaneous pool. The District sponsors two rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2021 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2021 Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications. The rate plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	2%	2%
Required employee contribution rates	7%	7%
Required employer contribution rates	9.44% + $80,120	7.56% + $6,612

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District pays the required employee contribution on behalf of the employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District's required contribution for the unfunded liability was $86,732 in fiscal year 2023. The District's contributions to the Plan for the year ended June 30, 2023, were $645,268.

6) DEFINED BENEFIT PENSION PLAN - Continued

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the District reported a liability of $1,248,141 for its proportionate share of the net pension liability. The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2022, and 2023, was as follows:

	Miscellaneous
Proportion - June 30, 2022	0.08507%
Proportion - June 30, 2023	0.02667%
Change - Increase (Decrease)	-0.05840%

For the year ended June 30, 2023, the District recognized pension expense of $1,532,088. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	$ 645,268	$ -
Differences between actual and expected experience	25,065	16,788
Changes in assumptions	127,898	-
Change in employer's proportion	52,094	2,271,130
Differences between employer's contributions and proportionate share of contributions	1,689,925	102,196
Net differences between projected and actual earnings on plan investments	228,626	-
Total	$ 2,768,876	$ 2,390,114

$645,268 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2024	$ (154,446)
2025	(147,671)
2026	(104,225)
2027	139,836
2028	-
Thereafter	-

6) DEFINED BENEFIT PENSION PLAN – Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2021, actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Payroll growth	2.75%
Projected salary increase	(1)
Investment rate of return	6.90%
Mortality	(2)

(1) Depending on age, service, and type of employment
(2) Derived using CalPERS' Membership Data for all Funds.

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

6) DEFINED BENEFIT PENSION PLAN – Continued

Asset Class	New Strategic Allocation	Real Return (1,2)
Global Equity - Cap Weighted	30%	4.54%
Global Equity - Non-Cap Weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%

(1) An expected inflation of 2.3% used for this period.
(2) Figures are based on the 2021 Asset Liability Management study.

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		5.90%
Net Pension Liability/(Asset)	$	3,107,518
Current Discount Rate		6.90%
Net Pension Liability/(Asset)	$	1,248,141
1% Increase		7.90%
Net Pension Liability/(Asset)	$	(281,664)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan – At June 30, 2023, the District reported no payables for the year ended June 30, 2023.

7) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

The District has established a Retiree Healthcare Plan (HC Plan) and participates in an agent multiple-employer defined benefit retiree healthcare plan. A separate financial report is not prepared for the HC Plan.

Benefits Provided

The HC Plan provides full-time employees who retire directly from the District, at a minimum age of 50, with a minimum of twenty-five years of service, a 50% cash subsidy for monthly medical insurance premiums for employee-only coverage. Payments cease at age 65 when the retiree is eligible for Medicare. Employees who retire directly from the District at a minimum age of 50 with a minimum of twenty-five years of full-time service are eligible to continue medical coverage as a participant with active employees at a blended premium rate until eligible for Medicare at age 65 as an implied subsidy.

Employees Covered

As of the June 30, 2021, actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Retirees currently receiving benefits	4
Active employees	20
Total	24

Contributions

The HC Plan and its contribution requirements are established by Board Resolution No. 21-11, Agreement and Election of TCCWD to Prefund Other Postemployment Benefits Through CalPERS, adopted December 21, 2011. The annual contribution is based on the actuarially determined contribution.

For the fiscal year ended June 30, 2023, the District's cash contributions were $7,743 in payments to the trust and the payments for retiree health benefits were $41,900. In December of 2011, the District created a trust account with the California Employers' Retiree Benefit Trust (CERBT).

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions:

7) OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Discount Rate	6.22%
Inflation	4.00%
Salary Increases	3.3% per annum, in aggregate
Investment Rate of Return	6.22%
Mortality Rate *	Derived using CalPERS' Membership Data for all funds
Preretirement Turnover **	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	7.00% HMO/7.50% PPO decreasing to 4.50% HMO4.50% PPO

*Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website at www.calpers.ca.gov.

**The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

CalPERS offers three asset allocation strategies for selection by employers who contract to pre-fund their future OPEB costs through CERBT.

The asset allocation and associated expected asset return, and thus the assumed discount rate, have a considerable impact on valuation results and the magnitude of liabilities. CalPERS periodically reviews the expected asset returns and the rates used in this valuation are based on CalPERS revised guidance. The following table summarizes financial characteristics of the three strategies:

	Strategy 1	Strategy 2	Strategy 3
Expected 20 Year Return / Discount Rate	7.59%	7.01%	6.22%
Standard Deviation of Expected Returns	11.83%	9.24%	7.28%

All three asset allocation strategies invest to some extent in each of the five asset classes (Global Equity, Domestic Fixed Income, US Inflation Linked Bonds, Global Public Real Estate, and Commodities). The portion of assets allocated to each asset class varies among the strategies, and thus, the long term expected rate of return and level of risk of each asset allocation is different for each strategy.

The District chooses to invest in Strategy 3.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.22 percent. 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 and beneficiaries. 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.

7) OTHER POST EMPLOYMENT BENEFITS (OPEB) – Continued

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (TOL)	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2022	$ 176,934	$ 142,030	$ 34,904
Changes in the year:			
Service cost	3,857	-	3,857
Interest on the total OPEB liability	11,005	-	11,005
Changes of benefit terms	1,794	-	1,794
Employer Contributions	-	49,643	(49,643)
Actual Investment Income	-	8,834	(8,834)
Benefit payments, including refunds	-	(14,200)	14,200
Implicit Rate	(1,114)	(27,700)	26,586
Net changes	15,542	16,577	(1,035)
Balance at June 30, 2023	$ 192,476	$ 158,607	$ 33,869

Sensitivity of the Net OPEB Liability to changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate, for the measurement period ended June 30, 2023:

	1% Decrease (5.22%)	Discount Rate (6.22%)	1% Increase (7.22%)
Net OPEB liability (asset)	$ 51,315	$ 33,869	$ 17,715

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 would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB liability (asset)	$ 6,593	$ 33,869	$ 42,093

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from the California Public Employers' Retirement System (CalPERS) website.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of $7,965. There were no deferred outflows or deferred inflows related to the net OPEB liability as of June 30, 2023.

8) RISK MANAGEMENT

The District is a member of the Association of California Water Agencies, Joint Powers Insurance Authority (JPIA). JPIA is a group of California Water Districts who have pooled funds to provide self-insurance coverage as follows:

Type of Coverage	Limits per Occurrence	
	Pooled Self-Insured	Excess Insurance
General, Automobile, and Public Officials Liability	$ 1,000,000	$1,000,000 – 59,000,000
Property Insurance	$ 50,000	$ 50,000 – 100,000,000
Fidelity Insurance	$ 100,000	$ -
Dam Failure Liability	$ 50,000	$ 5,000,000
Workers' Compensation	$ 2,000,000	$ 2,000,000 – statutory

The District is in a group that has a $5,000 retention level (deductible) per occurrence for property damage due to theft and natural causes. Property includes buildings, personal property, fixed equipment, mobile equipment, turbines, generators, and transformers. For mechanical damage to turbines, generators and transformers, the deductible ranges from $10,000 to $25,000. Also, included in the cost of the property insurance is fidelity insurance with a $1,000 deductible. There is a $1,000 deductible on mobile equipment and a $2,500 deductible for licensed vehicles. The auto and general liability program no longer has a deductible.

Claims over the retention levels are insured by the group up to the self-insurance limits and by policies purchased by JPIA from various insurance companies for the excess. JPIA bills the District a deposit premium at the beginning of each policy year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are charged against the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the outstanding claims, the District is retrospectively billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District.

There have been no losses exceeding coverage limits during any of the previous three years.

9) COMMITMENTS AND CONTINGENCIES

Water Supply Contract with Kern County Water Agency

The District obtained its surface water supply in accordance with certain contracts signed in December 1966 with the Kern County Water Agency (Agency), amended to its current annual amount of 19,300 acre-feet of entitlement surface water, through the year 2039, for a supply of water for agricultural purposes and for municipal and industrial water purposes. To the extent water under these contracts is not taken, it can be returned for credit. Credit for water not taken is received the following calendar year.

The Kern County Water Agency will also guarantee the sale of excess municipal and industrial water to other members of the Agency. The Agency, in turn, obtained its surface water supply in 1963, when it signed a contract with the State of California, Department of Water Resources (DWR), to purchase annual surface water, currently contracted at 982,730 acre-feet, through the State Water Project (SWP) through the year 2039.

9) COMMITMENTS AND CONTINGENCIES - Continued

The District's contract with the Agency provides for various separate charges, all of which are included in "Source of Supply" in Operating Expenses of the District's Statement of Revenue, Expenses, and Changes in Net Position. The "fixed charge" component of the contract is not necessarily reduced by annual water supply deficiencies as the District is obligated to pay 100% of the annual fixed costs billed to the Agency. Under certain circumstances, fixed charges could be reduced by the DWR when the District receives less than its full entitlement in years of low water supply. The Source of Supply costs attributable to this contract were $3,681,552 the year ended June 30, 2023.

Natural Gas Purchase Commitment

The District has entered into contracts with Shell Energy North America to purchase natural gas. These commitments vary in the amount of natural gas to be purchased and when the natural gas will be delivered to the District as follows:

Vendor	Delivery Period	Commitment
Shell Energy North America	April 2023- September 2024	$ 2,185,506

Property Tax Appeals

Certain taxpayers within Kern County have made appeals to the County for reductions of their property taxes. These pending appeals may affect the amount of property taxes the District receives in the future. However, the amounts of any future reductions are currently unknown.

10) SUBSEQUENT EVENTS

In October 2023, subsequent to the fiscal year-end, the District made an additional contribution of $1,153,700 to the CalPERS UAL.

REQUIRED SUPPLEMENTARY INFORMATION

Tehachapi-Cummings County Water District
Required Supplementary Information
Year Ended June 30, 2023

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Years*

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2022	0.02667%	$ 1,248,141	$ 1,728,818	72.20%	90.85%
2021	0.02987%	1,615,339	1,633,782	98.87%	88.01%
2020	0.02770%	3,014,111	1,699,719	177.33%	76.68%
2019	0.02672%	2,738,424	1,646,396	166.33%	77.56%
2018	0.02550%	2,457,691	1,601,521	153.46%	79.39%
2017	0.02520%	2,499,304	1,525,054	163.88%	78.21%
2016	0.02421%	2,094,927	1,497,937	139.85%	79.96%
2015	0.02110%	1,448,016	1,339,895	108.07%	85.62%
2014	0.01917%	1,670,715	1,164,070	143.52%	83.02%

*Fiscal year 2015 was the first year of implementation; therefore, 10 years of information are not yet available.

Notes to schedule:

Benefit Changes: None

Changes in assumptions: In 2022, the accounting discount rate changed from 7.15% to 6.90%. In 2017, the accounting discount rate changed from 7.65% to 7.15%.

Tehachapi-Cummings County Water District
Required Supplementary Information
Year Ended June 30, 2023

Schedule of Plan Contributions
Pension Plan
Last 10 Years*

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2023	$ 231,268	$ (645,268)	$ (414,000)	$ 1,906,336	12.13%
2022	358,598	(2,958,598)	(2,600,000)	1,728,818	20.74%
2021	321,619	(321,619)	-	1,633,782	19.69%
2020	273,132	(273,132)	-	1,699,719	16.07%
2019	241,653	(241,653)	-	1,646,396	14.68%
2018	200,814	(200,814)	-	1,601,521	12.54%
2017	167,497	(167,497)	-	1,525,054	10.98%
2016	218,649	(218,649)	-	1,497,937	14.60%
2015	199,443	(199,443)	-	1,339,895	14.88%

*Fiscal year 2015 was the first year of implementation; therefore, 10 years of information are not yet available.

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/13, 6/30/14, 6/30/15, 6/30/16, 6/30/17, 6/30/18, 6/30/19, 6/30/20, 6/30/21

Tehachapi-Cummings County Water District
Required Supplementary Information
Year Ended June 30, 2023

Schedule of Changes in the Net OPEB Liability
And Related Ratios
Last Ten Fiscal Years*

	Measurement Period					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	$ 3,857	$ 3,857	$ 3,446	$ 3,446	$ 3,397	$ 3,397
Interest on total OPEB liability	11,005	11,342	10,457	12,224	10,176	9,632
Changes in assumptions	-	-	-	(16,642)	-	-
Changes in benefits	1,794	1,794	5,861	(5,719)	-	-
Benefit payments, including refunds	-	(17,038)	(17,038)	-	-	(3,290)
Implicit rate	(1,114)	7,161	(1,026)	(1,026)	(1,012)	(1,012)
Net change in total OPEB liability	15,542	7,116	1,700	(7,717)	12,561	8,727
Total OPEB liability - beginning	176,934	169,818	168,118	175,835	166,274	157,547
Total OPEB liability - ending (a)	$ 192,476	$ 176,934	$ 169,818	$ 168,118	$ 178,835	$ 166,274
Plan Fiduciary Net Position						
Contributions - employer	$ 49,643	$ 37,258	$ 31,024	$ 13,986	$ 21,582	$ 13,210
Actual Investment Income	8,834	2,583	7,160	10,983	3,850	3,754
Benefit payments	(41,900)	(17,038)	(17,038)	(19,642)	(11,471)	(3,290)
Other Adjustments	-	-	2,137	-	-	-
Net change in plan fiduciary net position	16,577	22,803	23,283	5,327	13,961	13,674
Plan fiduciary net position - beginning	142,030	119,227	95,944	90,617	76,656	62,982
Plan fiduciary net position - ending (b)	$ 158,607	$ 142,030	$ 119,227	$ 95,944	$ 90,617	$ 76,656
Net OPEB liability - ending (a) - (b)	$ 33,869	$ 34,904	$ 50,591	$ 72,174	$ 88,218	$ 89,618
Plan fiduciary net position as a percentage of the total OPEB liability	82.40%	80.27%	70.21%	57.07%	50.67%	46.10%
Covered - employee payroll	$ 1,906,336	$ 1,728,818	$ 1,615,127	$ 1,699,719	$ 1,646,396	$ 1,601,521
Net OPEB liability as a percentage of covered payroll	1.78%	2.02%	3.13%	4.25%	5.36%	5.60%

*Fiscal year 2018 was the first year of implementation; therefore,10 years of information are not yet available.

Notes to the Schedule:

Benefit Changes: None

Changes in Assumptions: None

Tehachapi-Cummings County Water District
Required Supplementary Information
Year Ended June 30, 2023

Schedule of Plan Contributions
OPEB Plan
Last Ten Years*

Fiscal Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Covered-Employee Payroll
2023	$ 49,643	$ (49,643)	$ -	$ 1,906,336	2.60%
2022	37,258	(37,258)	-	1,728,818	2.16%
2021	31,024	(31,024)	-	1,615,127	1.92%
2020	13,986	(13,986)	-	1,699,719	0.82%
2019	21,582	(21,582)	-	1,646,396	1.31%
2018	13,210	(13,210)	-	1,601,521	0.82%

*Fiscal year 2018 was the first year of implementation; therefore, 10 years of information are not yet available.

SUPPLEMENTARY INFORMATION

Tehachapi-Cummings County Water District
Rate Covenant
Year Ended June 30, 2023

The District covenants that it shall prescribe, revise, and collect charges for Water Service that, after allowances for contingencies and errors in estimates, shall produce revenues sufficient in each fiscal year to produce net revenues equal to at least 1.25 times the sum of: (1) debt service payments related to the 2015 Installment Agreement, and (2) all debt service and any additional payments required with respect to outstanding debt of the District.

The rate covenant for the 2022-23 fiscal year is as follows:

Rate Covenant: $\frac{\text{Net Revenues + all other available revenues}}{\text{Installment payments due in the fiscal year}}$

The rate covenant is calculated as follows:

Supp. Info.

General Activities:			
Operating Revenue	$	1,728,944	
Nonoperating Revenue		12,386,475	
Total Gross Revenue		14,115,419	
Less: Operation and Maintenance Expenses		(12,455,268)	
Add: Depreciation Expense		1,007,266	
Net Revenues	$	2,667,417	(a)
Annual Debt Service:			
2015 Installment Agreement - Principal	$	743,752	
2015 Installment Agreement - Interest		22,532	
Total Debt Service in Fiscal Year 2022-23	$	766,284	(b)
Rate Covenant Calculation (a)/(b):		3.48	

Tehachapi-Cummings County Water District
Combining Schedule of Net Position
June 30, 2023

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Repairs	Water Payment Fund
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 4,342,441	$ 1,745,120	$ 1,294,617	$ 410,641	$ -
Accounts Receivable	249,420	-	-	-	-
Accrued Interest Receivable	48,069	9,453	5,336	2,255	39,549
Taxes Receivable	21,341	-	-	-	5,251
Grant Receivables	-	-	-	-	-
Other Receivables	-	-	-	-	-
Due from Other Funds	59,859	-	-	-	-
Prepaid Expenses and Refundable Deposits	55,232	-	-	-	-
Total Current Assets	4,776,362	1,754,573	1,299,953	412,896	44,800
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	$ 7,331	-	-	-	7,212,062
Total Restricted Assets	7,331	-	-	-	7,212,062
Capital Assets:					
Land	832,021	-	-	-	-
Pumping Plants	13,396,287	-	-	-	-
Mainline Pipeline	4,293,120	-	-	-	-
Dam and Reservoir	2,119,082	-	-	-	-
Transmission and Distribution System	1,849,609	-	-	-	-
General Office, Shop and Equipment	4,325,814	-	-	-	-
Emissions Reduction	5,476,360	-	-	-	-
Water Reclamation	388,990	-	-	-	-
Groundwater Banking and Recovery	2,934,811	-	-	-	-
Flood Control Facilities	6,580	-	-	-	-
Construction in Progress	354,168	-	-	-	-
Land Not In Use	99,355	-	-	-	-
Total Capital Assets	36,076,197	-	-	-	-
Less: Accumulated Depreciation	(23,382,770)	-	-	-	-
Capital Assets, Net	12,693,427	-	-	-	-
Total Noncurrent Assets	12,700,758	-	-	-	7,212,062
Total Assets	17,477,120	1,754,573	1,299,953	412,896	7,256,862
DEFERRED OUTFLOW OF RESOURCES					
Deferred Outflows Related to Pensions	2,768,876	-	-	-	-
Total Deferred Outflows	2,768,876	-	-	-	-
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts Payable	432,637	-	-	-	132,674
Accrued Wages Payable	67,192	-	-	-	-
Interest Payable	-	-	-	-	-
Customer Deposits	7,331	-	-	-	-
Due to Other Funds	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Current Portion of Long-term Debt	446,332	-	-	-	-
Total Current Liabilities	953,492	-	-	-	132,674
Noncurrent Liabilities:					
Compensated Absences Payable	79,340	-	-	-	-
Bonds Payable, Less Current Portion	(75,840)	-	-	-	-
Net OPEB Liability	33,869	-	-	-	-
Net Pension Liability	1,248,141	-	-	-	-
Total Noncurrent Liabilities	1,285,510	-	-	-	-
Total Liabilities	2,239,002	-	-	-	132,674
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	2,390,114	-	-	-	-
NET POSITION					
Net Investment in Capital Assets	12,114,566	-	-	-	-
Restricted	-	-	-	-	7,124,188
Unrestricted	3,502,314	1,754,573	1,299,953	412,896	-
Total Net Position	$ 15,616,880	$ 1,754,573	$ 1,299,953	$ 412,896	$ 7,124,188

2023 COPS	Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Equipment Infrastructure Replacement	Water Rate Stabilization	Totals
$ -	$ -	$ -	$ -	$ 2,263,575	$ 2,696,685	$ 641,748	$ 13,394,827
-	-	-	-	-	-	-	249,420
-	-	1,020	6,172	12,224	14,807	2,895	141,780
-	15	29	834	-	-	-	27,470
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	25,112	-	-	-	-	84,971
-	-	-	28,785	-	-	-	84,017
-	15	26,161	35,791	2,275,799	2,711,492	644,643	13,982,485
11,809,603	25,112	166,299	1,114,018	-	-	-	20,334,425
11,809,603	25,112	166,299	1,114,018	-	-	-	20,334,425
-	-	-	-	-	-	-	832,021
-	-	-	-	-	-	-	13,396,287
-	-	-	-	-	-	-	4,293,120
-	-	-	-	-	-	-	2,119,082
-	-	-	-	-	-	-	1,849,609
-	-	-	-	-	-	-	4,325,814
-	-	-	-	-	-	-	5,476,360
-	-	-	-	-	-	-	388,990
-	-	-	-	-	-	-	2,934,811
-	5,907	197,208	10,729	-	-	-	220,424
-	-	-	-	-	-	-	354,168
-	-	-	-	-	-	-	99,355
-	5,907	197,208	10,729	-	-	-	36,290,041
-	-	-	-	-	-	-	(23,382,770)
-	5,907	197,208	10,729	-	-	-	12,907,271
11,809,603	31,019	363,507	1,124,747	-	-	-	33,241,696
11,809,603	31,034	389,668	1,160,538	2,275,799	2,711,492	644,643	47,224,181
-	-	-	-	-	-	-	2,768,876
-	-	-	-	-	-	-	2,768,876
-	-	-	-	-	-	-	565,311
-	-	-	-	-	-	-	67,192
44,003	-	-	-	-	-	-	44,003
-	-	-	-	-	-	-	7,331
-	84,971	-	-	-	-	-	84,971
-	-	-	-	-	-	-	-
500,000	-	-	-	-	-	-	946,332
544,003	84,971	-	-	-	-	-	1,715,140
-	-	-	-	-	-	-	79,340
11,562,601	-	-	-	-	-	-	11,486,761
-	-	-	-	-	-	-	33,869
-	-	-	-	-	-	-	1,248,141
11,562,601	-	-	-	-	-	-	12,848,111
12,106,604	84,971	-	-	-	-	-	14,563,251
-	-	-	-	-	-	-	2,390,114
-	5,907	197,208	10,729	-	-	-	12,328,410
-	-	192,460	1,149,809	-	-	-	8,466,457
(297,001)	(59,844)	-	-	2,275,799	2,711,492	644,643	12,244,825
$ (297,001)	$ (53,937)	$ 389,668	$ 1,160,538	$ 2,275,799	$ 2,711,492	$ 644,643	$ 33,039,692

Tehachapi-Cummings County Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Repairs	Water Payment Fund
Operating Income					
Water Sales	$ 1,440,653	$ -	$ -	$ -	$ -
Water Services	69,752	-	-	-	-
Total Operating Income	1,510,405	-	-	-	-
Operating Expenses					
Source of Supply	34,738	-	-	-	3,681,552
Pumping	3,665,907	-	-	-	-
Transmission and Distribution	1,577,265	-	-	-	-
General and Administrative	2,105,199	-	-	-	12,523
Depreciation	1,007,266	-	-	-	-
Total Operating Expenses	8,390,375	-	-	-	3,694,075
Operating Income (Loss)	(6,879,970)	-	-	-	(3,694,075)
Non-Operating Revenues (Expenses)					
Taxes and Assessments	6,825,423	-	-	-	4,130,033
Benefit Assessments	-	-	-	-	-
Grant Revenue	-	-	-	-	-
Interest and Penalties	138,051	27,887	14,725	6,700	112,851
Interest Expense	(22,533)	-	-	-	-
Gain on Sale of Capital Assets	(282)	-	-	-	-
Other	895,084	-	-	-	-
Total Non-Operating Revenues (Expenses)	7,835,743	27,887	14,725	6,700	4,242,884
Income Before Transfers	955,773	27,887	14,725	6,700	548,809
Transfers Between Funds	(576,700)	23,500	323,200	-	-
Change in Net Position	379,073	51,387	337,925	6,700	548,809
Net Position - Beginning of Year	15,237,807	1,703,186	962,028	406,196	6,575,379
Net Position - End of Year	$ 15,616,880	$ 1,754,573	$ 1,299,953	$ 412,896	$ 7,124,188

2023 COPS	Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Equipment Infrastructure Replacement	Water Rate Stabilization	Totals
$ -	$ -	$ -	$ -	$ 218,539	$ -	$ -	$ 1,659,192
-	-	-	-	-	-	-	69,752
-	-	-	-	218,539	-	-	1,728,944
-	-	-	-	-	-	-	3,716,290
-	-	-	-	-	-	-	3,665,907
-	-	-	-	-	-	-	1,577,265
252,998	39,113	86	78,621	-	-	-	2,488,540
-	-	-	-	-	-	-	1,007,266
252,998	39,113	86	78,621	-	-	-	12,455,268
(252,998)	(39,113)	(86)	(78,621)	218,539	-	-	(10,726,324)
-	4,295	10,417	-	-	-	-	10,970,168
-	-	-	113,435	-	-	-	113,435
-	-	-	-	-	-	-	-
-	36	2,980	18,037	34,885	43,770	7,866	407,788
(44,003)	-	-	-	-	-	-	(66,536)
-	-	-	-	-	-	-	(282)
-	-	-	-	-	-	-	895,084
(44,003)	4,331	13,397	131,472	34,885	43,770	7,866	12,319,657
(297,001)	(34,782)	13,311	52,851	253,424	43,770	7,866	1,593,333
-	-	-	-	-	-	230,000	-
(297,001)	(34,782)	13,311	52,851	253,424	43,770	237,866	1,593,333
-	(19,155)	376,357	1,107,687	2,022,375	2,667,722	406,777	31,446,359
$ (297,001)	$ (53,937)	$ 389,668	$ 1,160,538	$ 2,275,799	$ 2,711,492	$ 644,643	$ 33,039,692

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Tehachapi-Cummings County Water District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 45

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source and property tax revenues. Additional information is provided for the government's other significant own-source revenue, water rates, and charges. 47

Debt Capacity

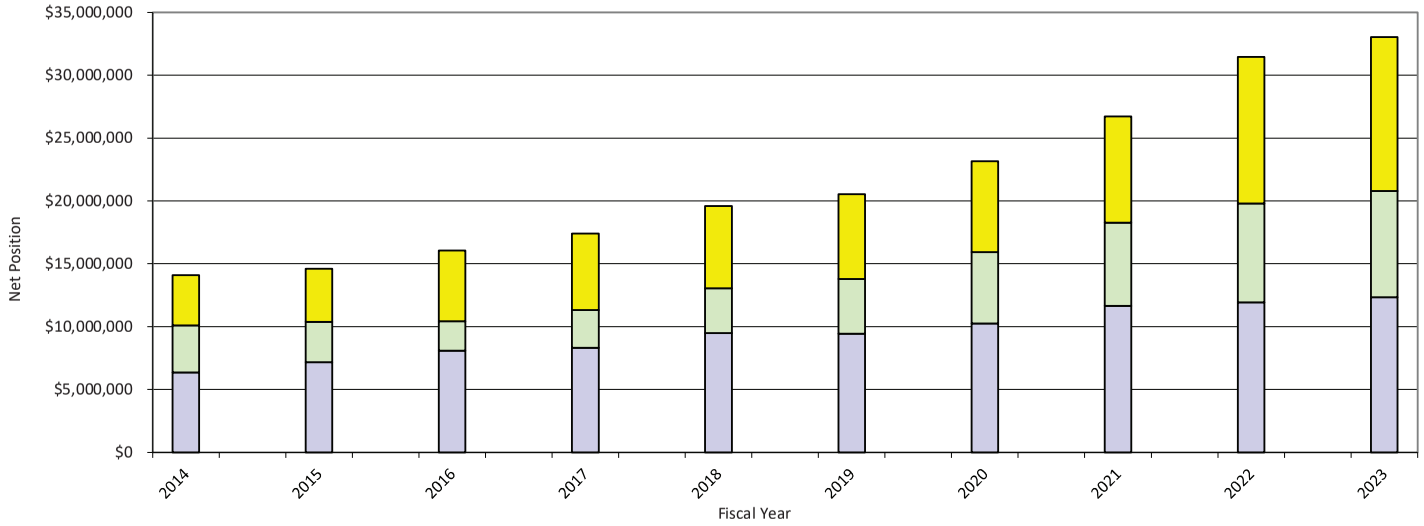
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 54

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 57

Tehachapi-Cummings County Water District
Net Position by Component
Last Ten Fiscal Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
PRIMARY GOVERNMENT										
Net Investment in Capital Assets	$ 6,365,364	$ 7,171,929	$ 8,090,795	$ 8,313,751	$ 9,484,993	$ 9,425,255	$ 10,252,447	$ 11,658,013	$ 11,934,099	$ 12,328,410
Restricted	3,721,841	3,213,736	2,332,799	3,001,728	3,558,393	4,361,160	5,675,767	6,617,503	7,851,486	8,466,457
Unrestricted	4,016,721	4,214,735	5,641,709	6,093,012	6,536,020	6,738,346	7,236,981	8,433,312	11,660,774	12,244,825
Total Primary Government Net Position	$ 14,103,926	$ 14,600,400	$ 16,065,303	$ 17,408,491	$ 19,579,406	$ 20,524,761	$ 23,165,195	$ 26,708,828	$ 31,446,359	$ 33,039,692



Notes:
Unrestricted net position in 2010 and later is affected by a prior-period adjustment pertaining to the booking of a liability for pension-related debt for a CalPERS side fund balance. That side fund balance was paid in full in June 2012 with a new six-year financing in the amount of $1,719,700. The loan balance was paid in full in December 2016.

GASB 68 relating to the booking of net pension liability became effective in fiscal year 2015. A prior period adjustment of ($2,079,960) affected unrestricted net position in 2015.

Tehachapi-Cummings County Water District
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
OPERATING REVENUES										
Water Sales	$ 4,238,640	$ 2,911,318	$ 2,752,766	$ 3,283,122	$ 3,165,019	$ 3,108,692	$ 3,492,339	$ 4,029,085	$ 2,366,905	$ 1,659,192
Water Services	212,374	83,084	74,792	94,373	130,907	92,988	101,768	105,947	101,495	69,752
Total Operating Revenue	4,451,014	2,994,402	2,827,558	3,377,495	3,295,926	3,201,680	3,594,107	4,135,032	2,468,400	1,728,944
OPERATING EXPENSES										
Source of Supply	2,251,965	2,175,844	2,930,542	2,359,233	2,631,392	2,709,312	2,451,904	2,655,940	2,988,516	3,716,290
Pumping	2,869,507	2,704,953	2,566,889	3,717,915	3,478,766	4,190,602	3,720,033	3,766,575	3,015,082	3,665,907
Transmission and Distribution	970,506	859,971	1,097,929	1,566,557	893,107	1,186,672	1,271,710	1,229,463	1,094,086	1,577,265
General and Administrative	1,209,872	1,720,254	1,473,593	1,698,386	1,684,384	1,797,989	1,737,563	2,035,767	1,791,351	2,488,540
Depreciation Expense	389,980	384,693	507,970	705,045	820,972	880,039	896,727	943,560	993,995	1,007,266
Total Operating Expenses	7,691,830	7,845,715	8,576,923	10,047,136	9,508,621	10,764,614	10,077,937	10,631,305	9,883,030	12,455,268
Operating Loss	(3,240,816)	(4,851,313)	(5,749,365)	(6,669,641)	(6,212,695)	(7,562,934)	(6,483,830)	(6,496,273)	(7,414,630)	(10,726,324)
NON-OPERATING REVENUES (EXPENSES)										
Taxes and Assessments	6,038,683	6,771,443	6,818,390	7,876,330	8,044,202	8,161,988	8,673,121	9,193,482	10,475,312	10,970,168
Benefit Assessments	116,543	116,317	109,594	100,977	107,308	103,622	134,590	127,604	109,634	113,435
Grant Revenues	-	327,977	108,707	41,399	149,475	46,766	-	355,624	300,000	-
Interest and Penalties	29,140	46,178	63,310	92,718	156,452	187,820	251,974	150,698	148,601	407,788
Interest Expense	(82,259)	(48,827)	(91,729)	(137,272)	(110,863)	(94,078)	(77,061)	(59,213)	(41,104)	(66,536)
Gain on Sale of Assets	4,600	6,169	112,500	-	6,334	-	-	7,500	-	(282)
Other Revenues	63,693	208,490	93,496	38,677	25,538	107,335	141,640	264,211	165,608	895,084
Total Non-Operating Revenues (Expenses)	6,170,400	7,427,747	7,214,268	8,012,829	8,378,446	8,513,453	9,124,264	10,039,906	11,158,051	12,319,657
Special Item - Natural Gas Resale	-	-	-	-	-	-	-	-	994,110	-
Change in Net Position	2,929,584	2,576,434	1,464,903	1,343,188	2,165,751	950,519	2,640,434	3,543,633	4,737,531	1,593,333
Net Position - Beginning of Year	11,174,342	14,103,926	14,600,400	16,065,303	17,408,491	19,574,242	20,524,761	23,165,195	26,708,828	31,446,359
Prior Period Adjustment	-	(2,079,960)	-	-	-	-	-	-	-	-
Net Position - End of Year	$ 14,103,926	$ 14,600,400	$ 16,065,303	$ 17,408,491	$ 19,574,242	$ 20,524,761	$ 23,165,195	$ 26,708,828	$ 31,446,359	$ 33,039,692

Tehachapi-Cummings County Water District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Real Property	Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value[1] as a % of Est. Actual Value
2014	3,016,755	778,381	41,360	3,753,776	0.042905	3,770,725	100.65%
2015	3,075,911	1,023,045	40,826	4,058,130	0.038749	3,922,822	104.49%
2016	3,112,215	1,085,786	42,427	4,155,574	0.037867	3,822,986	109.81%
2017	3,248,729	933,818	41,468	4,141,079	0.069397	4,010,945	104.28%
2018	3,400,924	957,502	41,000	4,317,425	0.056653	4,322,373	100.83%
2019	3,573,434	970,280	40,685	4,503,029	0.056778	4,572,661	99.37%
2020	3,821,769	948,176	40,310	4,729,635	0.051333	4,849,767	98.35%
2021	4,053,763	941,340	39,603	4,995,103	0.050046	5,524,148	90.42%
2022	4,252,732	1,282,816	38,202	5,497,347	0.053559	6,127,586	90.34%
2023	4,559,637	1,281,197	37,796	5,803,038	0.053498	4,815,547	121.29%

[1] Includes tax-exempt property.

Note:
Estimated actual value is the prior year's estimated actual value times the change in population times the change in house values as expressed in dollars per square foot as reported by Kerndata.com. Population is used as a proxy for growth and $/sq. ft. for existing residential is a proxy for real estate market value. Unfortunately, this estimate does not take into consideration the taxable value of industrial improvements, such as, the two cement plants and the expansion of wind turbines on the east side of the district. Tax rate is per $1,000 of assessed value.

Source: Kern County Auditor-Controller-County Clerk

Tehachapi-Cummings County Water District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)

		Overlapping					Total
Fiscal Year	TCCWD Debt Service Rate	County Operating Rate	KCWA Debt Service Rate	TUSD Debt Service Rate	TVHD Debt Service Rate	KCCD Debt Service Rate	Direct & Overlapping Rates
2014	0.042905	1.000000	0.010705	0.043529	0.084775	0.012644	1.194558
2015	0.038749	1.000000	0.011259	0.063958	0.073485	0.010450	1.197901
2016	0.037867	1.000000	0.013572	0.044537	0.078107	0.013571	1.187654
2017	0.069397	1.000000	0.013180	0.053490	0.080016	0.015316	1.231399
2018	0.056653	1.000000	0.017842	0.050000	0.080672	0.036249	1.241416
2019	0.056778	1.000000	0.016577	0.040475	0.071111	0.033625	1.218566
2020	0.051333	1.000000	0.018945	0.056412	0.079896	0.033028	1.239614
2021	0.050046	1.000000	0.017706	0.046585	0.067375	0.033851	1.215563
2022	0.053559	1.000000	0.017314	0.012495	0.068039	0.038609	1.190016
2023	0.053498	1.000000	0.014844	0.000000	0.059048	0.031243	1.158633

TCCWD: Tehachapi-Cummings County Water District
KCWA: Kern County Water Agency
TUSD: Tehachapi Unified School District
TVHD: Tehachapi Valley Hospital District
KCCD: Kern Community College District

Source: Kern County Treasurer-Tax Collector

Tehachapi-Cummings County Water District
Property Tax Levies and Collections
General Fund
Last Ten Fiscal Years

Fiscal Year	Taxes Levied	Collected Within the Fiscal Year of the Levy		Prior Year Collections[1]	Total Collections	Delinquent Tax	
		Amount	Percentage of Levy	Amount	Amount	Amount	Percentage of Levy
2014	4,309,077	4,306,443	99.94%	(160,127)	4,146,316	2,634	0.06%
2015	4,666,872	4,664,301	99.94%	4,355	4,668,656	2,571	0.06%
2016	4,756,897	4,753,678	99.93%	(10,513)	4,743,165	3,219	0.07%
2017	4,695,481	4,690,481	99.89%	(18,320)	4,672,161	5,000	0.11%
2018	4,833,039	4,827,648	99.89%	(8,638)	4,819,010	5,391	0.11%
2019	5,062,850	5,053,669	99.82%	(11,077)	5,042,592	9,181	0.18%
2020	4,833,039	4,827,648	99.89%	15,726	4,843,374	5,391	0.11%
2021	5,661,284	5,642,592	99.67%	6,832	5,649,424	18,692	0.33%
2022	6,144,421	6,106,519	99.38%	156,860	6,263,379	37,902	0.62%
2023	6,438,882	6,424,686	99.78%	32,325	6,457,011	14,196	0.22%

Note:
This fund is on the "Teeter Plan" whereby the county covers delinquencies in the current year but keeps subsequent collections and penalties based on county estimates at year-end.

Tehachapi-Cummings County Water District
Property Tax Levies and Collections
State Payment Fund
Last Ten Fiscal Years

Fiscal Year	Taxes Levied	Collected Within the Fiscal Year of the Levy		Prior Year Collections[1]	Total Collections	Delinquent Tax	
		Amount	Percentage of Levy	Amount	Amount	Amount	Percentage of Levy
2014	1,768,380	1,734,764	98.10%	(6,648)	1,728,116	33,616	1.90%
2015	1,838,998	1,838,406	99.97%	52,883	1,891,289	592	0.03%
2016	1,845,559	1,817,559	98.48%	32,956	1,850,515	28,000	1.52%
2017	2,924,384	2,871,752	98.20%	(7,952)	2,863,800	52,632	1.80%
2018	2,927,287	2,886,689	98.61%	67,327	2,954,016	40,598	1.39%
2019	3,132,776	3,092,405	98.71%	(2,498)	3,089,907	40,371	1.29%
2020	2,927,287	2,886,689	98.61%	67,110	2,953,799	40,598	1.39%
2021	3,269,307	3,178,969	97.24%	77,696	3,256,665	90,338	2.76%
2022	3,757,363	3,621,246	96.38%	61,188	3,682,434	136,117	3.62%
2023	4,038,684	3,969,414	98.28%	67,812	4,037,226	69,270	1.72%

[1] Includes penalties and redemptions.

Source: Kern County Auditor-Controller-County Clerk

Tehachapi-Cummings County Water District
Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

	2023			2014		
Property Owner	**Assessed Value**	**Rank**	**Percentage of Total**	**Assessed Value**	**Rank**	**Percentage of Total**
Alta Wind I Owner Lessor ABCD	$ 347,422,000	1	5.99%	$ 313,900,000	1	8.27%
Lehigh Cement West Inc	273,876,803	2	4.72%			
Alta Wind XI LLC	218,429,000	3	3.76%	221,820,000	2	5.84%
California Portland Cement Co	191,967,529	4	3.31%	143,608,676	5	3.78%
Coram California Development LP	145,587,291	5	2.51%			
Alta Wind II Owner Lessor ABCDE	142,342,560	6	2.45%	133,845,600	7	3.53%
CEFF II Tehachapi Prop LLC	126,715,273	7	2.18%			
Mustang Hills LLC	111,642,520	8	1.92%	117,972,800	6	3.11%
Voyager Wind IV Expansion LLC	105,859,000	9	1.82%			
Windstar Energy LLC	95,998,569	10	1.65%	160,025,354	3	4.22%
Brookfield Tehachapi				132,483,381	4	3.49%
Calaveras Cement Co				110,429,014	8	2.91%
Grimmway Farms (FKA Crystal Organic Farms LLC)				19,644,876	9	0.52%
GE Wind Energy LLC				16,455,155	10	0.43%
Total Assessed Value for Principal Taxpayers	$ 1,759,840,545		30.31%	$ 1,370,184,856		36.10%
Total Assessed Value	$ 5,803,037,507		100.00%	$ 3,795,135,492		100.00%

Source: Kern County Treasurer-Tax Collector data extracted by Kerndata.com.

Tehachapi-Cummings County Water District
Water Sales Revenue and Quantities Sold by Customer Class
Last Ten Years

	Water Sales Revenue							
Fiscal Year	Agricultural	Municipal & Industrial	Surplus	Wheeled[1]	BWRA[1]	Storage[1]	Recycled	Total
2014	2,000,120	1,093,943	1,329,919	-	-	-	27,032	4,451,014
2015	2,053,503	703,478	204,530	-	-	-	32,891	2,994,402
2016	2,080,546	557,717	247,291	-	-	-	13,913	2,899,467
2017	2,472,006	856,251	-	-	-	-	34,106	3,362,363
2018	2,195,171	1,054,616	-	-	-	-	46,139	3,295,926
2019	1,922,369	1,245,419	-	-	-	-	33,892	3,201,680
2020	2,563,269	989,648	4,610	-	-	-	36,580	3,594,107
2021	2,155,270	1,129,342	15,559	-	800,000	-	34,860	4,135,031
2022	1,184,375	1,109,909	57,498	72,991	-	8,462	35,166	2,468,401
2023	962,944	481,765	-	27,650	218,539	13,119	24,927	1,728,944

	Quantities of Water Sold (AF)[2]							
Calendar Year	Agricultural	Municipal & Industrial	Surplus	Wheeled[1]	BWRA[1]	Storage[1]	Recycled	Total
2013	4,239	2,359	3,227	-	-	-	257	10,082
2014	5,468	1,562	226	-	-	-	393	7,649
2015	4,349	1,309	226	-	-	-	158	6,042
2016	5,679	1,371	226	-	-	-	357	7,633
2017	5,419	2,052	-	-	-	-	509	7,980
2018	4,903	1,373	-	-	-	-	497	6,773
2019	5,371	1,412	8	-	-	-	364	7,155
2020	5,781	1,825	22	-	-	-	402	8,030
2021	4,379	487	96	845	2,000	212	346	8,365
2022	2,195	271	16	231	538	328	408	3,985

[1] Beginning FYE 2022, Wheeled, BWRA, and Storage water sales revenue and quantity of water sold are detailed in this report.
[2] Water records are maintained on a calendar year basis.

Source: Tehachapi-Cummings County Water District audited financial statements and billing records.

Tehachapi-Cummings County Water District
Water Rates by Customer Class
Last Ten Fiscal Years

	Monthly Meter Charge	Commodity Charge (per AF)						
		Agricultural			Term Municipal & Industrial			Regular Municipal & Industrial (All Zones)
Fiscal Year	All Customers	Pressure Zone 1	Pressure Zone 2	Pressure Zone 3	Pressure Zone 1	Pressure Zone 2	Pressure Zone 3	
2014	4.50	363.00	456.00	676.00	363.00	456.00	676.00	1,385.00
2015	4.50	363.00	456.00	676.00	363.00	456.00	676.00	1,385.00
2016	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1,385.00
2017	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1,385.00
2018	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1,385.00
2019	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1,385.00
2020	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1,385.00
2021	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1,385.00
2022	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1,385.00
2023	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1,385.00

Notes:
In 2010, the District established three pressure zones with varying rates. In addition to the commodity charges, customers taking recharge water pay a $15/ AF surcharge and a 6% spreading loss surcharge per AF calculated using their pressure zone rate. Pressure Zone 3 customers have their spreading loss surcharge calculated using the rate for Pressure

Source: Tehachapi-Cummings County Water District, Board of Director Resolutions

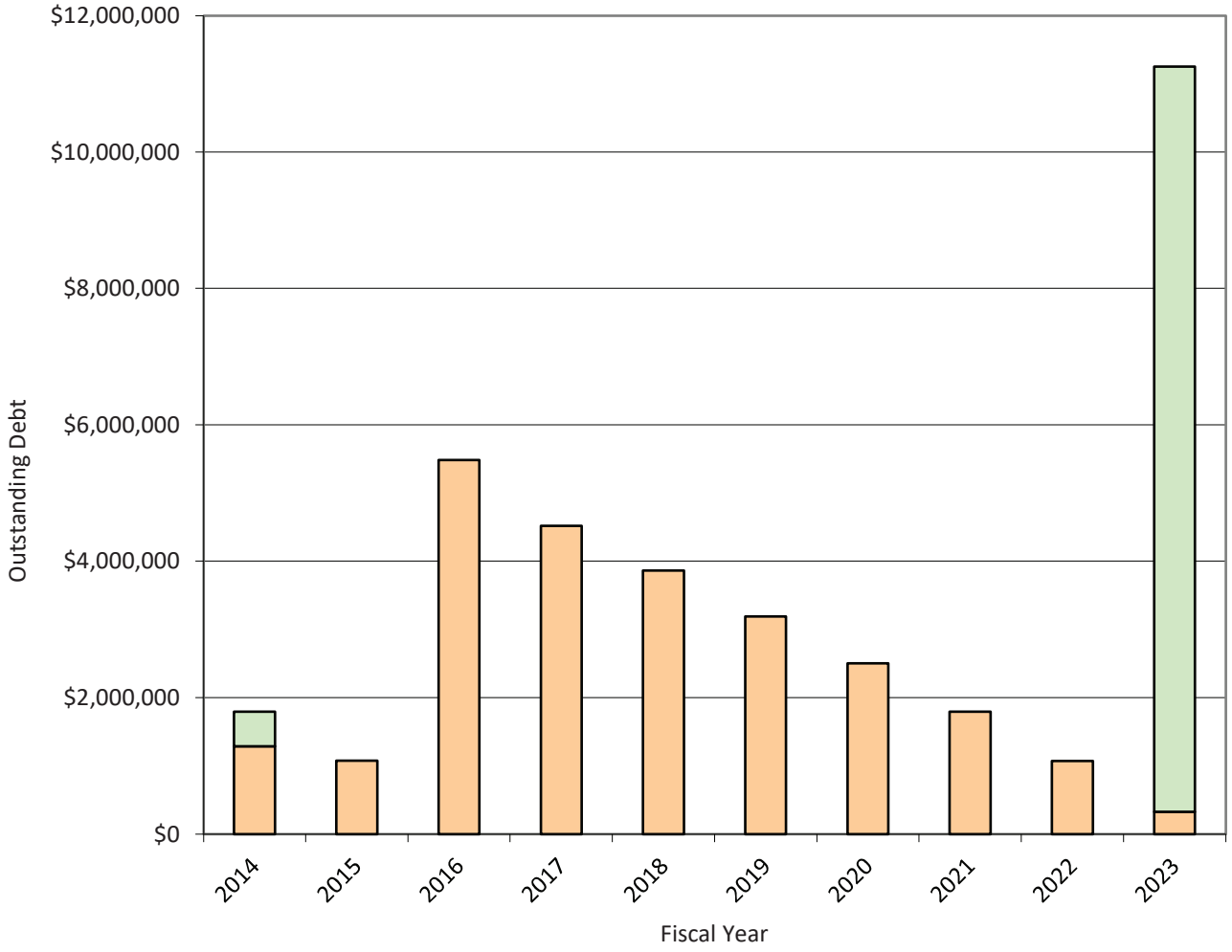
Tehachapi-Cummings County Water District
Principal Water Customers
Current Fiscal Year and Nine Years Ago

	2023			2014		
Customers	**Annual Water Sales**	**Rank**	**Percentage of Total**	**Annual Water Sales**	**Rank**	**Percentage of Total**
Grimmway Farms (FKA Crystal Organic Farms LLC)	$ 847,587	1	49.02%	$ 861,665	2	19.36%
Bear Valley Community Services District	240,291	2	13.90%	206,498	5	4.64%
Stallion Springs Community Svc District	91,238	3	5.28%	97,463	10	2.19%
Valley Sod (FKA Tehachapi Turf)	89,096	4	5.15%			
City of Tehachapi	84,704	5	4.90%	102,183	9	2.30%
David Ha	23,954	6	1.39%			
Golden Hills Community Services District	17,228	7	1.00%	124,963	8	2.81%
California Correctional Institute	16,506	8	0.95%	143,100	7	3.21%
Holland Flower Market	14,677	9	0.85%			
Jim Chung	12,063	10	0.70%			
Lehr Brothers (FKA Kundert Brothers Farms)				172,318	6	3.87%
Granite Construction Company				406,385	4	9.13%
Bornt & Sons Farms				716,576	3	16.10%
Kern Westside Districts				923,534	1	20.75%
Total Water Sales for Principal Water Customers	$ 1,437,344		83.13%	$ 3,754,685		84.36%
Total Water Sales	$ 1,728,944		100.00%	$ 4,451,014		100.00%

Source: Tehachapi-Cummings County Water District billing records.

Tehachapi-Cummings County Water District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Business-type Activities			Total		
Fiscal Year	General Obligation Bonds	Bank Loans / Installment Purchases	Certificates of Participation	Debt	Per Capita	As a Share of Personal Income
2014	-	1,283,400	510,000	1,793,400	47.11	0.17%
2015	-	1,074,252	-	1,074,252	28.30	0.10%
2016	-	5,484,300	-	5,484,300	153.62	0.49%
2017	-	4,518,632	-	4,518,632	125.67	0.39%
2018	-	3,863,211	-	3,863,211	105.28	0.31%
2019	-	3,191,004	-	3,191,004	85.94	0.25%
2020	-	2,501,866	-	2,501,866	66.75	0.19%
2021	-	1,794,795	-	1,794,795	47.84	0.13%
2022	-	1,069,615	-	1,069,615	28.66	0.07%
2023	-	325,863	10,925,000	11,250,863	312.74	0.73%



Tehachapi-Cummings County Water District
Direct and Overlapping Debt
As of June 30, 2023

	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Direct and Overlapping Debt
Overlapping Debt:			
Kern Community College District	$ 495,764,863	5.89%	$ 29,225,085
Tehachapi Valley Healthcare District	58,894,978	93.36%	54,983,127
Bear Valley Community Service District	393,000	100.00%	393,000
Tehachapi Unified School District	-	97.05%	-
Total Overlapping Debt			84,601,213
TCCWD Direct Debt[2]	11,250,863	100.00%	11,250,863
Total Direct and Overlapping Debt			$ 95,852,076

[1] Estimated percentage applicable is determined by comparing the assessed value of each of the taxing entities with that of the District. Bear Valley CSD is fully contained within the District; therefore, 100% of their debt overlaps.
[2] Tehachapi-Cummings County Water District (TCCWD)'s Direct Debt excludes bank loans and pension-related debt.

Source: Kern County Auditor-Controller and business offices of noted agencies.

Tehachapi-Cummings County Water District
Legal Debt Margin
Last Ten Fiscal Years
(in thousands)

	Fiscal Year									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Debt imit	$ 569,270	$ 614,843	$ 629,700	$ 627,382	$ 653,764	$ 681,557	$ 709,445	$ 749,265	$ 830,332	$ 876,125
Total debt applicable to limit	1,793	1,074	5,484	4,519	3,863	3,191	2,502	1,795	1,070	11,251
Legal debt margin	$ 567,477	$ 613,769	$ 624,216	$ 622,863	$ 649,901	$ 678,366	$ 706,943	$ 747,470	$ 829,262	$ 864,874
Total debt applicable to the limit as a percentage of debt limit	0.3%	0.2%	0.9%	0.7%	0.6%	0.5%	0.4%	0.2%	0.1%	1.3%

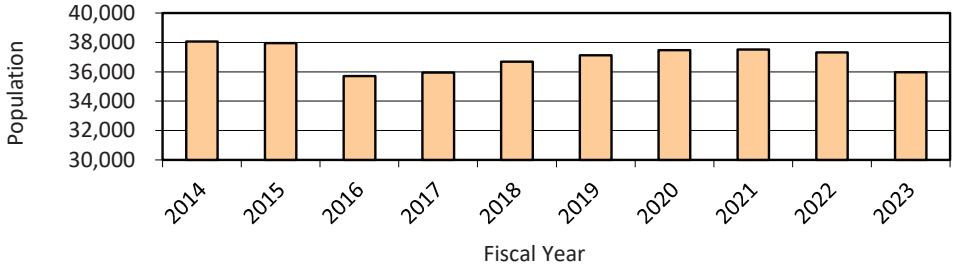
Legal Debt Margin Calculation for FYE 2023

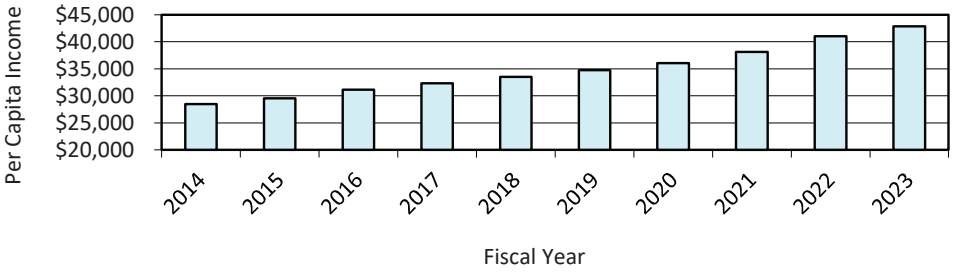
Assessed value	$ 5,803,038
Add back: exempt real property	37,796
Total assessed value	5,840,834
Debt limit (15% of total assessed value)	876,125
Debt applicable to limit:	
General obligation bonds	-
Bank loans / installment purchases	326
Certificates of participation	10,925
Total debt applicable to limit	11,251
Legal debt margin	$ 864,874

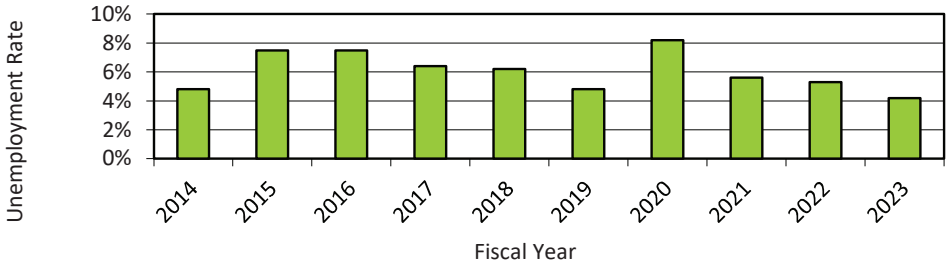
Note:
California Water Code does not specify a debt limit for county water districts. However, many other types of special districts in California have a statutory debt limit of 15% of assessed value of all taxable property in the district. We shall use this figure as a guide.

Tehachapi-Cummings County Water District
Demographics and Economic Statistics
Last Ten Years

Fiscal Year	Population [1]	Personal Income (in thousands)	Personal Income per Capita [2]	Unemployment Rate [3]
2014	38,067	1,084,221	28,482	4.8%
2015	37,964	1,122,599	29,570	7.5%
2016	35,700	1,112,347	31,158	7.5%
2017	35,957	1,161,697	32,308	6.4%
2018	36,694	1,229,020	33,494	6.2%
2019	37,131	1,291,526	34,783	4.8%
2020	37,480	1,352,293	36,081	8.2%
2021	37,517	1,431,209	38,148	5.6%
2022	37,318	1,531,108	41,028	5.3%
2023	35,975	1,541,522	42,850	4.2%







Sources:

[1] California Department of Finance. 2016 figure is from the 2015 Regional Urban Water Management Plan (RUWMP). The 2015 RUWMP is the most recent version available.
[2] California Department of Finance.
[3] California Employment Development Department - June of each year.

Tehachapi-Cummings County Water District
Principal Employers
Current Fiscal Year and Nine Years Ago

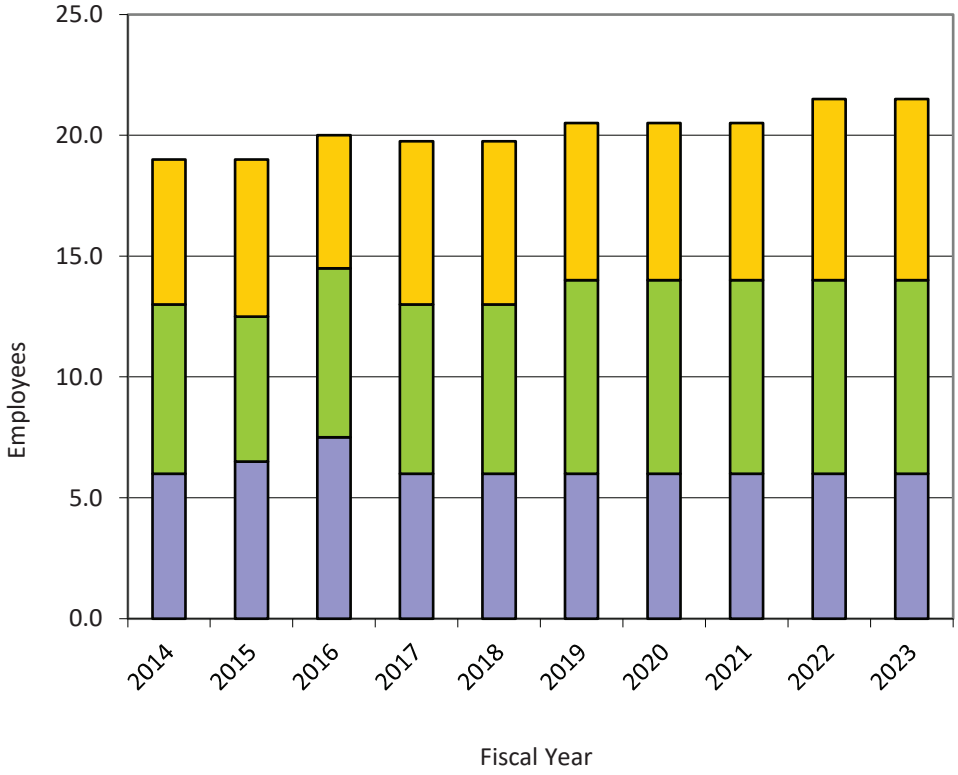
		2023		2014	
Employer	**Product / Service**	**Employees**	**Rank**	**Employees**	**Rank**
California Correctional Institution	State prison	1,440	1	1,911	1
Tehachapi Unified School District	Public school system	545	2	464	2
Walmart	Retail	200	3		
Adventist Health (FKA Tehachapi Hospital)	Healthcare	197	4	175	3
Albertson's Supermarket	Retail grocery store	190	5	112	7
Home Depot	Retail store	130	6	115	6
Pearce Renewables	Renewable energy	125	7		
Lehigh Southwest Cement Company	Cement production	120	8	120	5
Chemtool, Inc.	Specialty lubricants	115	9		
Race Communications	Internet service provider	100	10		
Terra-Gen Operating Company, LLC	Wind energy	90	11		
City of Tehachapi	Government	75	12		
Waste Management	Waste hauler	75	13		
Save Mart Supermarket	Retail grocery store	60	14	65	10
Selecta Products, Inc.	Specialty switches	45	15		
GE Energy	Wind energy			150	4
Kmart	Retail			107	8
Benz Sanitation	Waste hauler			70	9
Total		3,507		3,289	

Note:
Data on total employment in the district is not available from any source.

Source: Greater Tehachapi Chamber of Commerce

Tehachapi-Cummings County Water District
Operating and Capacity Indicators
Last Ten Fiscal Years

Fiscal Year	Full-time Equivalent District Employees by Department			
	Administration	Pumping	Pipeline	Total
2014	6.0	7.0	6.0	19.0
2015	6.5	6.0	6.5	19.0
2016	7.5	7.0	5.5	20.0
2017	6.0	7.0	6.8	19.8
2018	6.0	7.0	6.8	19.8
2019	6.0	8.0	6.5	20.5
2020	6.0	8.0	6.5	20.5
2021	6.0	8.0	6.5	20.5
2022	6.0	8.0	7.5	21.5
2023	6.0	8.0	7.5	21.5



Tehachapi-Cummings County Water District
Other Operating and Capacity Indicators
Last Ten Fiscal Years

							Watermaster Statistics				
							Groundwater Pumping (AF)			Banked Water (AF)[2]	
Fiscal Year	Water Stored in Brite Lake (AF) on June 30	Water Stored in SJV GW Banks[1] (AF) on June 30	Calendar Year	State Water Imported (AF)	State Water Project Allocation	System Losses % of SWP	Tehachapi Basin	Cummings Basin	Brite Basin	Tehachapi Basin	Cummings Basin
2014	1,310	4,020	2013	7,367	35%	9.1%	5,302	3,404	347	7,276	9,597
2015	1,366	2,520	2014	4,357	5%	22.3%	5,555	3,287	347	4,903	8,973
2016	817	2,520	2015	5,160	20%	16.6%	5,541	3,629	347	4,572	8,510
2017	1,407	2,520	2016	7,639	60%	12.6%	5,934	3,569	333	4,001	9,285
2018	1,400	8,360	2017	10,453	85%	6.5%	5,782	3,437	341	6,107	10,508
2019	1,373	5,210	2018	9,997	35%	5.5%	4,916	3,754	337	8,156	11,317
2020	1,003	2,410	2019	9,973	75%	5.0%	4,378	2,592	350	10,064	11,774
2021	1,484	190	2020	7,211	20%	15.7%	5,139	2,757	370	9,871	10,803
2022	1,239	190	2021	3,940	5%	31.5%	4,563	2,779	275	7,793	6,570
2023	1,614	0	2022	1,151	5%	19.9%	3,655	2,726	379	5,782	4,998

[1] SJV GW Banks: San Joaquin Valley groundwater banks are Kern Water Bank and West Kern Water District.
[2] Banked water includes artificial replenishment and return flows of applied imported water on Tehachapi-Cummings County District's account only.

Note:
Water pumping statistics are maintained on a calendar year basis.

Source: Tehachapi-Cummings County District Watermaster Records

INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

Board of Directors
Tehachapi-Cummings County Water District
Tehachapi, California

We have performed procedures enumerated below to be the accompanying Appropriations Limit worksheet of the Tehachapi-Cummings County Water District, for the year ended June 30, 2023. These procedures, which were agreed to by the Tehachapi-Cummings County Water District and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIIIB of the California Constitution)*, were performed solely to assist the District in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution. The District's management is responsible for the Appropriations Limit worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested of for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the Board of Directors.

   Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

   Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

   Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the Board of Directors during the prior year.

   Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled *Article XIIIB of the California Constitution.*

This report is intended solely for the use of the Board of Directors and management of the Tehachapi-Cummings County Water District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Van Lant & Fankhanel, LLP

December 13, 2023

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
APPROPRIATIONS LIMIT COMPUTATION
2022-2023

		2022-23
Change in Per Capita Personal Income		7.55%
Population Change Unincorporated County Population Growth		0.05%
Change in Per Capita Personal Income Converted to a Ratio		1.0755
Population Change Converted to a Ratio		1.0005
Calculation Growth Factor		1.0760
2021-2022 Appropriations Limit	$ 15,110,019	
2022-2023 Appropriations Limit ($15,110,119 X 1.0760)	$ 16,258,380	

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*

Board of Directors
Tehachapi-Cummings County Water District
Tehachapi, 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 Tehachapi-Cummings County Water District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 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 entity'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. 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 or significant deficiencies may exist that were not 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 determination of financial statement amounts. 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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Lant & Fankhanel, LLP

December 13, 2023

December 13, 2023

Board of Directors
Tehachapi-Cummings County Water District
Tehachapi, CA

We have audited the financial statements of the Tehachapi-Cummings County Water District for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 21, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated key factors and assumptions used to develop the estimated useful lives in determining that depreciation is reasonable in relation to the financial statements as a whole.

Management's estimates for the net pension and net OPEB liabilities are based on actuarial information provided by the California Public Employee Retirement System's (CalPERS) actuarial office, and other sources. We evaluated the key factors and assumptions to develop these liabilities in determining that the estimated liabilities are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of accumulated depreciation in Note 3 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosures for the net pension and net OPEB liabilities in Notes 6 and 7 to the financial statements, respectively are based on assumptions for discount rates, etc., which could differ from actual experience. The notes disclose the differences in these liabilities if different assumptions are used in estimating these liabilities.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and other required supplementary information (RSI), which is RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections (other information), which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Van Lant & Fankhanel, LLP