



Tehachapi-Cummings County Water District

Our Water • Our Future

Tehachapi-Cummings County Water District
Tehachapi, California

Comprehensive Annual Financial Report
For the Year Ended June 30, 2020



**TEHACHAPI-CUMMINGS
COUNTY WATER DISTRICT
Tehachapi, California**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2020

Prepared by:

LaMinda Madenwald, Business Manager

Tehachapi-Cummings County Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2020

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INTRODUCTORY SECTION



**Tehachapi-Cummings
County Water District**
Our Water & Our Future

Directors:
Kathy Cassil
Jonathan Hall
James Pack
Robert W. Schultz
Rick Zanutto

Officers:
James Pack, *President*
Robert W. Schultz, *Vice President*
Tom Neisler, *General Manager*
Catherine Adams, *Secretary*
LaMinda Madenwald, *Treasurer*

December 16, 2020

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 comprehensive annual financial report (CAFR) of the Tehachapi-Cummings County Water District for the fiscal year ended June 30, 2020.

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, 2020 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, 2020 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 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 water from the California Aqueduct and sells this imported water to agricultural and municipal/industrial 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.

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.

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 customer’s 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. 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 fund (e.g. general) and department (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.

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 (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 will increase by approximately 4% in fiscal 2021. Fiscal 2020 growth rate was approximately 4%.

The District’s second largest source of revenue, imported water sales, increased +12% in fiscal year 2020 due to changes in customer class demand. Fiscal year M&I sales decreased by -21% and fiscal year AG sales increased by +33%. Water delivery records are kept by calendar year. Ag water deliveries in calendar year 2019 were 5,371 AF compared with 4,903 AF in 2018. M&I water deliveries were 1,412 AF in calendar year 2019 and 1,373 AF in 2018.

State Water Project allocation. The SWP allocation for 2020 is 20%. The District withdrew 2,800 AF of banked water supply from the San Joaquin valley in 2020 to supplement our SWP allocation to meet demand goals. The District did not have sufficient supply to meet our recharge obligations or goals. Shortfalls in recharge requirements were met by utilizing District banked supplies. The District entered 2020 with approximately 711 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 remained stable. Going forward, the District plans to lock in long-term natural gas supplies at prices that will stabilize its water rates at consistent levels for years to come. The District has contracted for the majority of its natural gas needs through 2022. There is a prudent limit to how much natural gas can be purchased in advance because of the variability of the State water supply.

Air quality regulations. The Valley Air 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 will end in December of 2023.

Workforce. The District’s workforce consists of 20 full-time positions and two temporary summer helpers.

Pension liability. District employees are members of the California Public Employees’ Retirement System (CalPERS). See Note (6) of the June 30, 2020 Comprehensive Audited Financial Report (CAFR).

Reserves. Concurrently with the FY 2020-21 budget, the Board adopted a 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 the progress toward achieving those targets. As of June 30, 2020, 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 fiscal year 2021-22. The following table shows the amounts as of June 30, 2020:

Reserves	Reserve Formula	Full Reserve Target	Interim Reserve Target	Reserve 6/30/20	Reserve Target Met?
Designated Reserves:					
<u>General Fund</u>					
Working capital	90 days of operating expenses (prior year audit)	\$ 2,097,746	\$ 2,097,746	\$ 2,835,600	Full - Yes
Water banking reserve	Cost to replace or extract banked water	-	-	2,200	Full - Yes
<u>Tax Revenue Liability Fund</u>					
Tax revenue liability reserve	50% of Kern County's liability estimate	217,448	108,724	308,200	Full - Yes
<u>Emergency Fund</u>					
Emergency reserve	5% of general fund operating expenses (prior year audit)	414,845	207,423	415,500	Full - Yes
<u>Major Repairs / Overhaul Fd</u>					
Asset maintenance / replacement reserve	5% of capital assets' book value (prior year audit)	1,575,754	787,877	1,621,500	Full - Yes
<u>Rate Stabilization Fund</u>					
Rate stabilization reserve	1 to 5% of general fund operating expenses	414,845	207,423	612,200	Full - Yes
<u>Equipment/Infrastructure - Replacement/Upgrade</u>					
Strategic planning capital improvements	20% mid-term CIP	5,224,000	2,612,000	2,068,900	approx. interim
Restricted Reserves:					
<u>State Payment Fund</u>					
Six-month operating reserve	50% of current year expenditure budget	1,559,573	1,559,573	3,402,000	Full - Yes
Tax revenue liability reserve	50% of Kern County's liability estimate	106,397	106,397	106,400	Full - Yes
<u>Prop 1 Grant Fund</u>					
Project Cost	project cost per grant	1,000,000	650,000	979,000	Yes - Interim
<u>Improvement District No. 2</u>					
Asset maintenance / replacement reserve	50% of construction cost indexed for inflation	242,957	242,957	66,500	No
<u>Improvement District No. 3</u>					
Asset maintenance / replacement reserve	50% of construction cost indexed for inflation	539,888	539,888	358,000	No
<u>Assessment District No. 1</u>					
Asset maintenance / replacement reserve	50% of construction cost indexed for inflation	1,547,892	1,547,892	996,800	No

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tehachapi-Cummings County Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2019, the eleventh consecutive year of award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Preparation of this report was accomplished by the combined efforts of District staff. I appreciate the dedicated efforts and professionalism that our staff members bring to the District. I 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

List of Elected and Appointed Officials

June 30, 2020

Elected Officials

BOARD OF DIRECTORS

Kathy Cassil	December 2022
Jonathan Hall	December 2020
James Pack	December 2022
Robert W. Schultz	December 2022
Rick Zanutto	December 2020

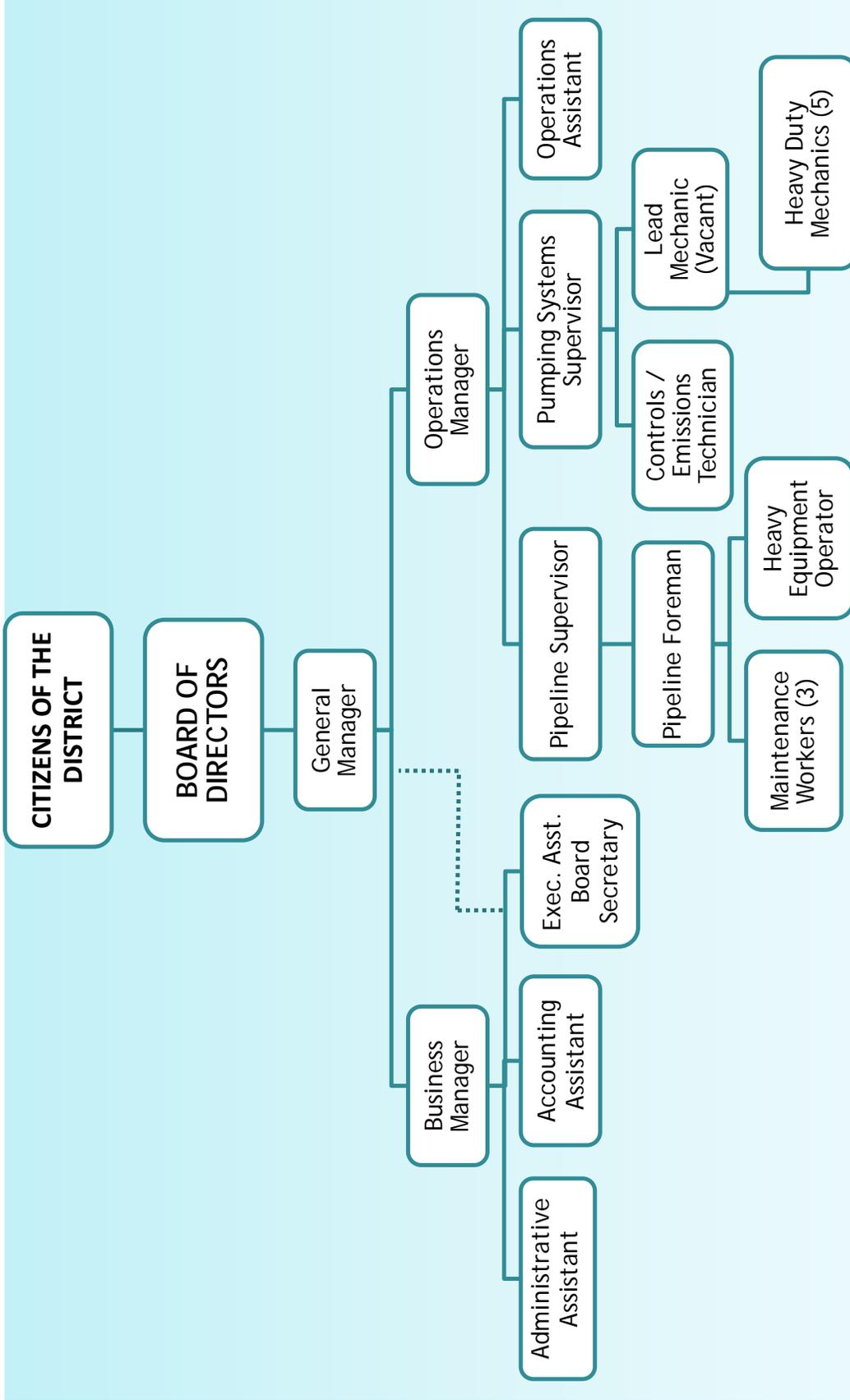
Appointed Officials

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

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

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT

ORGANIZATION CHART



Revision No: 10
Date: 01/16/20



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Tehachapi-Cummings County
Water District, California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Tehachapi-Cummings County Water District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, 2020, and the changes in financial position, and 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 10, and other Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the schedules listed in the supplementary information section of the table of contents, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the supplementary information section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules listed in the supplementary information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2020, 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 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 & Fankhaed, LLP

December 16, 2020

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Discussion and Analysis

As management of the Tehachapi-Cummings County Water 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, 2020. 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. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The District's total combined cash balance increased \$2,381,065 (+18%). Restricted cash increased \$1,276,778 (+29%). Unrestricted cash increased \$1,104,287 (+12%).
- The District's total combined net position was \$23,165,195 at June 30, 2020, an increase of \$2,640,434 (+13%). Restricted net position increased \$1,314,607 (+30%). Unrestricted net position increased \$498,635 (+7%).
- During the year, the District's operating revenues increased by \$392,427 (+12%).
- The District's operating expenses decreased by \$686,677 (-6%).
- Total Long-term Liabilities decreased \$493,467 (-9%).

Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the independent auditor's report, the basic financial statements of the District, and required supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements. The basic financial statements include three types of statements that present different views of the District:

Required Financial Statements

Government-wide financial statements. The financial statements of the District report information using accounting methods similar to those used by private sector companies. The **Statement of Net Position** includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It also provides the basis of evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the **Statement of Revenues, Expenses and Change in Net Position**. 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 user fees and other charges.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The final required financial statement is the **Statement of Cash Flows**. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and 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.

The government-wide financial statements can be found on pages 11-13 of this report.

Required supplementary information. RSI provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information can be found on pages 33-36 of this report.

Supplementary information. In addition to the basic financial statements and required supplementary information, this report also presents other supplementary information.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Tehachapi-Cummings County Water District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District is an enterprise district providing water service. All of the funds of the Tehachapi-Cummings County Water District are related to its water enterprise; therefore, they are considered enterprise funds.

The combining schedules for all of the District's funds can be found on pages 38-41 of this report.

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial strength. In the case of the Tehachapi-Cummings County Water District, assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by \$23,165,195 as of fiscal year 2020, an increase of \$2,640,434 compared with the prior year (see Table A-1).

In addition to assets and liabilities, the statement of net position reports separate sections for Deferred Outflows/Inflows of Resources. These sections represent, respectively, the consumption/acquisition of net position that applies to future periods and will not be recognized as an expense/revenue until then.

The largest portion of the Tehachapi-Cummings County Water District's net position (\$10,252,447) reflects its investment in capital assets (e.g. land, water infrastructure and equipment). The District uses these capital assets to provide services to citizens and its customers; consequently, these assets are not available for future spending.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

A portion of the District's net position (\$5,675,767) is externally restricted by state law or debt covenants. See Note 4 beginning on page 22 for additional information about restricted assets.

Unrestricted net position may be used to meet the District's ongoing obligations. As of June 30, 2020, the District shows an unrestricted net position of \$7,236,981, an improvement of \$498,635 from the prior year.

**June 30, 2020 and 2019
(000's)**

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current and other assets	\$ 16,535	\$ 14,201	\$ 2,334	16%
Capital assets	12,754	12,616	138	1%
Total assets	<u>29,289</u>	<u>26,817</u>	<u>2,472</u>	<u>9%</u>
Deferred outflows of resources	<u>672</u>	<u>643</u>	<u>29</u>	<u>5%</u>
Current liabilities	1,811	1,511	300	20%
Long-term liabilities	<u>4,714</u>	<u>5,207</u>	<u>(493)</u>	<u>-9%</u>
Total liabilities	<u>6,525</u>	<u>6,718</u>	<u>(193)</u>	<u>-3%</u>
Deferred inflows of resources	<u>271</u>	<u>217</u>	<u>54</u>	<u>25%</u>
Net position:				
Net investment in capital	10,252	9,425	827	9%
Restricted	5,676	4,361	1,315	30%
Unrestricted	<u>7,237</u>	<u>6,739</u>	<u>498</u>	<u>7%</u>
Total net position	<u>\$ 23,165</u>	<u>\$ 20,525</u>	<u>\$ 2,640</u>	<u>13%</u>

Changes in Net Position. The District's total revenues were \$12,795,432. Approximately 71% of the District's revenue came from taxes and assessments during the fiscal year. Twenty-eight percent came from water sales and services, while 1% was related to other revenues. Operating revenues increased +12% compared with the prior year. Nonoperating revenues increased 7% primarily due to increased taxes and assessments.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

During the year, revenues exceeded expenses by \$2,640,434 and net position increased by the same amount.

**Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2020 and 2019
(000's)**

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues				
Water sales	\$ 3,492	\$ 3,109	\$ 383	12%
Water services	102	93	9	10%
Total operating revenues	<u>3,594</u>	<u>3,202</u>	<u>392</u>	<u>12%</u>
Nonoperating revenues				
Taxes and assessments	8,673	8,162	511	6%
Benefit assessments	135	104	31	30%
Operating grant	-	46	(46)	-100%
Interest and penalties	252	189	63	33%
Other revenues	142	107	35	33%
Gain on sale of capital assets	-	-	-	100%
Capital contributions	-	-	-	0%
Total nonoperating revenues	<u>9,202</u>	<u>8,608</u>	<u>594</u>	<u>7%</u>
Total revenues	<u>12,796</u>	<u>11,810</u>	<u>986</u>	<u>8%</u>
Operating expenses				
Source of supply	2,452	2,709	(257)	-9%
Pumping	3,720	4,191	(471)	-11%
Transmission and distribution	1,272	1,187	85	7%
General and administrative	1,738	1,798	(60)	-3%
Depreciation	897	880	17	2%
Total operating expenses	<u>10,079</u>	<u>10,765</u>	<u>(686)</u>	<u>-6%</u>
Nonoperating expenses				
Interest expense	77	94	(17)	-18%
Total nonoperating expenses	<u>77</u>	<u>94</u>	<u>(17)</u>	<u>-18%</u>
Total expenses	<u>10,156</u>	<u>10,859</u>	<u>(703)</u>	<u>-6%</u>
Change in net position	2,640	951	1,689	
Net position -- beginning	<u>20,525</u>	<u>19,574</u>	<u>951</u>	
Net position -- ending	<u>\$ 23,165</u>	<u>\$ 20,525</u>	<u>\$ 2,640</u>	

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

- Operating revenue increased \$392,427 (+12%). Sales of municipal & industrial water decreased by -21%; while revenue from agricultural water sales increased by +33%, due to changes in customer class demand.
- Operating expenses decreased by \$686,677 (-6%) primarily due to a decrease in water pumping costs.
- Nonoperating revenues increased +7% primarily due to increases in tax and assessment related revenues.

Capital Assets and Debt Administration

Capital Assets. At June 30, 2020, the District had invested \$33,329,309 in a broad range of capital assets. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$1,034,781 or +3% compared with last year primarily due to pumping plant and distribution system improvements. Accumulated depreciation increased 5% primarily due to these improvements. See Note 3 on page 22 for more information. The District's capital assets are 62% depreciated.

**Table A-3
Condensed Statements of Capital Assets
June 30, 2020 and 2019
(000's)**

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Land	\$ 779	\$ 779	\$ -	0%
Water system improvements	28,431	27,585	846	3%
General office & equipment	3,780	3,710	70	2%
Flood control facilities	220	220	-	0%
Construction in progress	119	-	119	0%
	<u>33,329</u>	<u>32,294</u>	<u>1,035</u>	<u>3%</u>
Accumulated depreciation	(20,575)	(19,678)	(897)	5%
Total	<u>\$ 12,754</u>	<u>\$ 12,616</u>	<u>\$ 138</u>	<u>1%</u>

Long-term Liabilities. At the end of the current fiscal year, the Tehachapi-Cummings County Water District had total debt outstanding of \$5,481,899, a decrease of \$ -8%. This amount includes the Umpqua Bank 2015 installment purchase financing loan and the combined pension and benefits liability. See Note 5 on page 23 for more information.

**Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

**Table A-4
Condensed Statements of Long-term Debt
June 30, 2020 and 2019
(000's)**

	2020	2019	Dollar Change	Percentage Change
Compensated Absences	169	249	(80)	-32%
OPEB Liability	72	88	(16)	100%
Pension Liability	2,739	2,458	281	11%
Installment purchase	2,502	3,191	(689)	-22%
Total	\$ 5,482	\$ 5,986	\$ (504)	-8%

Economic Factors and Next Year's Budgets and Rates

- Assessed valuation of the Tehachapi-Cummings County Water District will increase by approximately 4% in fiscal year 2020-21. A stable or growing tax base is extremely important for the District, as 71% of the general fund's total revenue in 2019-20 was from general property taxes, which are directly linked to assessed valuation.
- The 2020-21 tax rate reflects balanced State Water Project obligations, revenues and expenditures. The amount required to be collected from the tax levy increased slightly from the previous fiscal year (0.053189% from 0.051333%) due to reserve balances.
- The Department of Water Resources provided a 2020 State Water Project allocation of 20%. The District withdrew 2,800 AF of banked water supply from the San Joaquin Valley in 2020 to supplement our SWP allocation to meet demand goals. The District did not have sufficient supply to meet our recharge obligations or goals. Shortfalls in recharge requirements were met by utilizing District banked supplies.
- The sale of agricultural imported water is forecast to decrease in 2020-21 by -14%.
- M&I water sales are forecast to increase +13% in fiscal year 2020-21.
- Surplus water sales were \$4,610 in 2019-20.
- The District increased banked water supplies on its own account by 2,182 AF in 2019-20. The District will continue water banking on its own account.
- As of January 1, 2017, all term M&I customers were required to bank water and have executed the required 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 higher than the prior year due to greater cash balances. For the fiscal year 2019-20, the average yield on money invested in the Kern

***Tehachapi-Cummings County Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020***

County Treasury Pool was 1.7% and the average yield on money invested in the Local Agency Investment Fund (LAIF) was 1.410%.

- Employee benefit costs account for 39% of total salaries and benefits in the approved 2020-21 budget.
- Current staffing is 20 full-time employees plus two summer helpers.
- 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. As long as the price remains low, water rates should also be stable. The District can now purchase natural gas three years in advance under its contract with Shell. This will serve to stabilize costs and water rates. The district has contracted for the majority of its natural gas needs through 2022.
- The District's pressure zone water rates (developed in 2010) have resulted in revenues that more closely match costs, thereby reducing operating losses in the general fund.
- The adopted 2020-21 budget includes a reserves policy, which sets forth reserve targets and an approach to accumulating those reserves over time. As of June 30, 2020, all of the interim or full reserve targets had been satisfied except for the flood control improvement district funds.
- 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 2020-21 fiscal year. The Final budget for 2020-21 fiscal year was approved by the Board of Directors on August 19, 2020.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors 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 at 22901 Banducci Road, Post Office Box 326, Tehachapi, California 93561 or by email at tccwd@tccwd.com.

BASIC FINANCIAL STATEMENTS

Tehachapi-Cummings County Water District
Statement of Net Position
June 30, 2020

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 10,124,054
Accounts Receivable	568,314
Accrued Interest Receivable	52,955
Taxes Receivable	32,388
Other Receivables	12,175
Prepaid Expenses and Refundable Deposits	<u>64,811</u>
Total Current Assets	<u>10,854,697</u>

Noncurrent Assets:

Restricted Assets:

Cash and Cash Equivalents	5,680,053
Capital Assets Not Being Depreciated:	
Land	680,084
Land Not in Use	99,355
Construction in Progress	118,592
Capital Assets, Net of Accumulated Depreciation	<u>11,856,282</u>
Total Noncurrent Assets	<u>18,434,366</u>
Total Assets	<u>29,289,063</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	<u>672,019</u>
Total Deferred Outflows	<u>672,019</u>

LIABILITIES

Current Liabilities:

Accounts Payable	992,035
Accrued Wages Payable	51,213
Current Portion of Long-term Debt	<u>768,068</u>
Total Current Liabilities	<u>1,811,316</u>

Noncurrent Liabilities:

Compensated Absences Payable	108,438
Loan Payable, Less Current Portion	1,794,795
Net OPEB Liability	72,174
Net Pension Liability	<u>2,738,424</u>
Total Noncurrent Liabilities	<u>4,713,831</u>
Total Liabilities	<u>6,525,147</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>270,740</u>
--------------------------------------	----------------

NET POSITION

Net Investment in Capital Assets	10,252,447
Restricted For:	
Water Payment	4,468,404
Improvement Districts	1,207,363
Unrestricted	<u>7,236,981</u>
Total Net Position	<u>\$ 23,165,195</u>

Tehachapi-Cummings County Water District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

OPERATING REVENUES

Water Sales	\$ 3,492,339
Water Services	101,768
	3,594,107
Total Operating Revenues	3,594,107

OPERATING EXPENSES

Source of Supply	2,451,904
Pumping	3,720,033
Transmission and Distribution	1,271,710
General and Administrative	1,737,563
Depreciation	896,727
	10,077,937
Total Operating Expenses	10,077,937
Operating Income (Loss)	(6,483,830)

NONOPERATING REVENUES (EXPENSES)

Taxes and Assessments	8,673,121
Benefit Assessments	134,590
Interest and Penalties	251,974
Interest Expense	(77,061)
Other Revenues	141,640
	9,124,264
Total Nonoperating Revenues (Expenses)	9,124,264

Change in Net Position	2,640,434
Net Position - Beginning of Year	20,524,761
Net Position - End of Year	\$ 23,165,195

Tehachapi-Cummings County Water District
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 3,653,634
Cash Payments to Employees for Services	(2,845,962)
Cash Payments to Suppliers for Goods and Services	(5,802,703)
Other Operating Cash Receipts	136,338
Net Cash Provided (Used) by Operating Activities	<u>(4,858,693)</u>
Cash Flows from Non-capital Financing Activities	
Receipts from Property Taxes and Assessments	8,781,480
Receipts from Grant Revenue	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>8,781,480</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Purchase and Construction of Property and Equipment	(1,034,781)
Payment on Long-Term Debt	(689,138)
Interest Paid on Long-Term Debt	(77,061)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,800,980)</u>
Cash Flows from Investing Activities	
Receipt of Interest Income	259,258
Net Cash Provided (Used) by Investing Activities	<u>259,258</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,381,065
Cash and Cash Equivalents - Beginning of Year	<u>13,423,042</u>
Cash and Cash Equivalents - End of Year	<u>\$ 15,804,107</u>
Cash and Cash Equivalents as Reported in the Statement of Net Position	
Unrestricted Cash	\$ 10,124,054
Restricted Cash	<u>5,680,053</u>
Total Cash and Cash Equivalents	<u>\$ 15,804,107</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (6,483,830)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	896,727
Other Revenue	141,640
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Water Customers	59,527
(Increase) Decrease in Other Receivables	(5,302)
(Increase) Decrease in Prepaid Expenses and Refundable Deposits	12,044
(Increase) Decrease in Deferred Outflows - Pensions	(29,144)
Increase (Decrease) in Accounts Payable	373,880
Increase (Decrease) in Accrued Wages Payables	(63,098)
Increase (Decrease) in Compensated Absences Payable	(79,821)
Increase (Decrease) in Deferred Inflows - Pension	53,995
Increase (Decrease) in Net OPEB Liability	(16,044)
Increase (Decrease) in Net Pension Liability	<u>280,733</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,858,693)</u>

The accompanying notes are an integral part of this statement.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Summary of Significant Accounting Policies	15 - 19
2	Cash and Investments	19 - 21
3	Capital Assets	21 - 22
4	Restricted Assets	22 - 23
5	Long-term Liabilities	23
6	Defined Benefit Pension Plan	24 - 27
7	Other Postemployment Benefits (OPEB)	27 - 30
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Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

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 activities 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 asset; 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."

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

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. 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 position 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.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

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 position 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 \$169,435 at June 30, 2020.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

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, 2020 measured approximately 1,003 acre-feet. Of this amount, 450 acre-feet is considered a minimum pool for emergency reserve. The remaining 950 acre-feet in storage on June 30, 2020 is for the purpose of agricultural peaking when the demand is greater than the system pumping capacity. 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	- 1 st Installment
	February 1	- 2 nd Installment
Delinquent Date	December 10	- 1 st Installment
	April 10	- 2 nd 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 and the Kern County Treasurer’s office.

P) Investments

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

Q) Interest

The District incurs interest charges on long-term debt. There was no interest capitalized for the year ended June 30, 2020.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R) 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.

S) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within curtailed defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

2) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Current Assets - Cash	\$ 10,124,054
Noncurrent Assets - Restricted Cash	<u>5,680,053</u>
Total Cash	<u>\$ 15,804,107</u>

Cash and investments as of June 30, 2020 consist of the following:

Petty Cash	\$ 500
Deposits with Financial Institutions	1,606,807
Local Agency Investment Fund (LAIF)	3,595,205
Pooled with Kern County	<u>10,601,595</u>
Total Cash and Investments	<u>\$ 15,804,107</u>

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

2) CASH AND INVESTMENTS - Continued

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 investment pool and LAIF; however, the District does not have a formal policy regarding interest rate risk.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a formal policy regarding credit risk. Neither the County investment pool or LAIF are rated.

As of June 30, 2020, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		Less than 1 Year	1 Year to 5 Years	6 Years to 10 Years
County Pool	\$ 10,601,595	\$ 10,601,595	\$ -	\$ -
Local Agency Investment Fund	3,595,205	3,595,205	-	-
Total	\$ 14,196,800	\$ 14,196,800	\$ -	\$ -

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.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

2) CASH AND INVESTMENTS - Continued

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, 2020, the District did not have deposits with financial institutions in excess of federal depository insurance limits, held in uncollateralized accounts.

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; 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 below is the District's capital asset activity for the 2019-20 fiscal year:

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

3) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 680,084	\$ -	\$ -	\$ 680,084
Land Not in Use	99,355	-	-	99,355
Construction in Progress	-	118,592	-	118,592
Capital Assets, Not Depreciated	<u>779,439</u>	<u>118,592</u>	<u>-</u>	<u>898,031</u>
Capital Assets Being Depreciated:				
Pumping Plants	12,430,229	576,976	-	13,007,205
Mainline Pipeline	4,293,120	-	-	4,293,120
Dam and Reservoir	2,001,598	8,243	-	2,009,841
Transmission and Distribution System	1,585,437	233,731	-	1,819,168
General Office, Shop, and Equipment	3,709,666	70,233	-	3,779,899
Emissions Reduction	5,476,360	-	-	5,476,360
Water Reclamation	388,990	-	-	388,990
Groundwater Recharge and Recovery	1,409,265	27,006	-	1,436,271
Flood Control Facilities	220,424	-	-	220,424
Capital Assets Being Depreciated	<u>31,515,089</u>	<u>916,189</u>	<u>-</u>	<u>32,431,278</u>
Less Accumulated Depreciation:				
Pumping Plants	(5,918,368)	(591,456)	-	(6,509,824)
Mainline Pipeline	(2,574,215)	(57,242)	-	(2,631,457)
Dam and Reservoir	(912,742)	(22,163)	-	(934,905)
Transmission and Distribution System	(1,272,473)	(17,630)	-	(1,290,103)
General Office, Shop, and Equipment	(2,114,408)	(179,637)	-	(2,294,045)
Emissions Reduction	(5,476,360)	-	-	(5,476,360)
Water Reclamation	(62,239)	(7,780)	-	(70,019)
Groundwater Recharge and Recovery	(1,340,884)	(20,819)	-	(1,361,703)
Flood Control Facilities	(6,580)	-	-	(6,580)
Total Accumulated Depreciation	<u>(19,678,269)</u>	<u>(896,727)</u>	<u>-</u>	<u>(20,574,996)</u>
Net Capital Assets, Depreciated	<u>11,836,820</u>	<u>19,462</u>	<u>-</u>	<u>11,856,282</u>
Total Capital Assets	<u>\$ 12,616,259</u>	<u>\$ 138,054</u>	<u>\$ -</u>	<u>\$ 12,754,313</u>

4) RESTRICTED ASSETS

Water Payment Fund: 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 and industrial water.

Improvement District #2 Fund: 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 Fund: This cash is restricted by tax assessment for operations and improvements within Improvement District #3.

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

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

4) RESTRICTED ASSETS - Continued

Cash is restricted at June 30, 2020 as follows:

Water Payment Fund	\$	4,447,972
Improvement District No. 2		60,278
Improvement District No. 3		160,223
Assessment Zone No. 1		952,566
Customer Deposits		59,014
Total	\$	5,680,053

5) LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities for the year ended June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	\$ 249,256	\$ 89,732	\$ 169,553	\$ 169,435	\$ 60,997
Net OPEB Liability	88,218	15,670	31,714	72,174	-
Net Pension Liability	2,457,691	280,733	-	2,738,424	-
2015 Installment Agreement	3,191,004	-	689,138	2,501,866	707,071
Total Long-term Liabilities	\$ 5,986,169	\$ 386,135	\$ 890,405	\$ 5,481,899	\$ 768,068

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 \$3.2 million per year. For the 2019-20 fiscal year, system net revenues were \$2,608,182, while total principal and interest payments on the installment purchase agreement totaled \$766,199. 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
2021	\$ 707,071	\$ 59,213	\$ 766,284
2022	725,180	41,104	766,284
2023	743,752	22,532	766,284
2024	325,863	4,158	330,021
Total	\$ 2,501,866	\$ 127,007	\$ 2,628,873

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

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 pay 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, 2018 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2018 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, 2020, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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%	6.50%
Required employer contribution rates	8.860% + \$163,037	7.026% + \$981

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 \$164,018 in fiscal year 2020. The District’s contributions to the Plan for the year ended June 30, 2020 were \$273,132.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

6) DEFINED BENEFIT PENSION PLAN - Continued

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

As of June 30, 2020, the District reported a liability of \$2,738,424 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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.06521%
Proportion - June 30, 2019	0.06838%
Change - Increase (Decrease)	0.00317%

For the year ended June 30, 2020, the District recognized pension expense of \$578,716. At June 30, 2020, 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	\$ 273,132	\$ -
Differences between actual and expected experience	175,459	-
Changes in assumptions	84,291	-
Change in employer's proportion	139,138	-
Differences between employer's contributions and proportionate share of contributions	-	222,864
Net differences between projected and actual earnings on plan investments	-	47,876
Total	\$ 672,020	\$ 270,740

\$273,132 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, 2021. 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,		
2021	\$	142,947
2022		(37,668)
2023		13,195
2024		9,674
2025		-
Thereafter		-

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

6) DEFINED BENEFIT PENSION PLAN – Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Payroll growth	2.75%
Projected salary increase	(1)
Investment rate of return	7.15%
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 table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) 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 best-estimate ranges of 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 returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%

(1) An expected inflation of 2.0% used for this period.
(2) An expected inflation of 2.92% used for this period.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

6) DEFINED BENEFIT PENSION PLAN – Continued

Discount Rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. 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:

		Miscellaneous
1% Decrease		6.15%
Net Pension Liability	\$	4,379,909
Current Discount Rate		7.15%
Net Pension Liability	\$	2,738,424
1% Increase		8.15%
Net Pension Liability	\$	1,383,494

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, 2020, the District reported no payables for the year ended June 30, 2020.

7) OTHER POSTEMPLOYMENT BENEFITS

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 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.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

7) OTHER POST EMPLOYMENT BENEFITS – Continued

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Retirees currently receiving benefits	2
Active employees	<u>20</u>
Total	<u><u>22</u></u>

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 12/21/2011. The annual contribution is based on the actuarially determined contribution.

For the fiscal year ended June 30, 2020, the District’s cash contributions were \$13,210 in payments to the trust and the payments for retiree health benefits were \$19,642. In December of 2011 the District created a trust account with the California Public Employers’ Retiree Benefit Trust (CERBT) Fund.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

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% HMO/4.50% 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.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

7) OTHER POST EMPLOYMENT BENEFITS – Continued

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.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (TOL)	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2019 (<i>Valuation Date June 30, 2019</i>)	\$ 178,835	\$ 90,617	\$ 88,218
Changes in the year:			
Service cost	3,446	-	3,446
Interest on the total OPEB liability	12,224	10,983	1,241
Changes of benefit terms	(5,719)	-	(5,719)
Employer Contributions	-	13,986	(13,986)
Benefit payments, including refunds	(19,642)	(19,642)	-
Implicit Rate	(1,026)	-	(1,026)
Net changes	(10,717)	5,327	(16,044)
Balance at June 30, 2020 (<i>Measurement Date June 30, 2020</i>)	\$ 168,118	\$ 95,944	\$ 72,174

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

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

7) OTHER POST EMPLOYMENT BENEFITS – Continued

	1% Decrease (5.22%)	Discount Rate (6.22%)	1% Increase (7.22%)
Net OPEB liability (asset)	\$ 90,953	\$ 72,174	\$ 54,753

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)	\$ 53,653	\$ 72,174	\$ 91,953

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, 2020, the District recognized OPEB expense of \$15,635. There were no deferred outflows or deferred inflows related to the net OPEB liability as of June 30, 2020.

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, and turbines, generators and transformers. For mechanical damages 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.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

8) RISK MANAGEMENT – Continued

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.

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 and Expenses. 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. Source of supply costs attributable to this contract were \$1,995,927 the year ended June 30, 2020.

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
Shelly Energy North America	April 2021- September 2022	\$ 2,010,475

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.

Tehachapi-Cummings County Water District
Notes to Financial Statements
Year Ended June 30, 2020

10) IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

GASB has issued the following Statements, which may impact the District's financial reporting requirements in the future:

GASB 84 - Fiduciary Activities: This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 87 – Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period: This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB 90 – Majority Equity Interests: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Tehachapi-Cummings County Water District
Required Supplementary Information
Year Ended June 30, 2020

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
2019	0.06838%	\$ 2,738,424	\$ 1,646,396	166.33%	77.56%
2018	0.06521%	2,457,691	1,601,521	153.46%	79.39%
2017	0.06340%	2,499,304	1,525,054	163.88%	78.21%
2016	0.06031%	2,094,927	1,497,937	139.85%	79.96%
2015	0.05280%	1,448,016	1,339,895	108.07%	85.62%
2014	0.06760%	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 2017, the accounting discount rate changed from 7.65% to 7.15%.

Tehachapi-Cummings County Water District
Required Supplementary Information
Year Ended June 30, 2020

Schedule of Pension Plan Contributions
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
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

Tehachapi-Cummings County Water District
Required Supplementary Information
Year Ended June 30, 2020

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

	Measurement Period		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 3,446	\$ 3,397	\$ 3,397
Interest on total OPEB liability	12,224	10,176	9,632
Changes in assumptions	(16,642)	-	-
Changes in benefits	(5,719)	-	-
Benefit payments, including refunds		-	(3,290)
Implicit rate	(1,026)	(1,012)	(1,012)
Net change in total OPEB liability	(7,717)	12,561	8,727
Total OPEB liability - beginning	175,835	166,274	157,547
Total OPEB liability - ending (a)	<u>\$ 168,118</u>	<u>\$ 178,835</u>	<u>\$ 166,274</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 13,986	\$ 21,582	\$ 13,210
Actual Investment Income	10,983	3,850	3,754
Benefit payments	(19,642)	(11,471)	(3,290)
Administrative Expense	-	-	-
Net change in plan fiduciary net position	5,327	13,961	13,674
Plan fiduciary net position - beginning	90,617	76,656	62,982
Plan fiduciary net position - ending (b)	<u>\$ 95,944</u>	<u>\$ 90,617</u>	<u>\$ 76,656</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 72,174</u>	<u>\$ 88,218</u>	<u>\$ 89,618</u>
Plan fiduciary net position as a percentage of the total OPEB liability	57.07%	50.67%	46.10%
Covered - employee payroll	\$ 1,699,719	\$ 1,646,396	\$ 1,601,521
Net OPEB liability as a percentage of covered payroll	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, 2020

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
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, 2020

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 2019-20 fiscal year is as follows:

Rate Covenant: Net Revenues + all other available revenues
Installment payments due in the fiscal year

The rate covenant is calculated as follows:

General Activities:	
Operating Revenue	\$ 3,594,107
Nonoperating Revenue	5,720,814
Total Gross Revenue	<u>9,314,921</u>
Less: Operation and Maintenance Expenses	(7,977,304)
Add: Depreciation Expense	<u>896,727</u>
Net Revenues	<u>\$ 2,234,344</u> (a)
Annual Debt Service:	
2015 Installment Agreement - Principal	\$ 689,138
2015 Installment Agreement - Interest	<u>77,061</u>
Total Debt Service in Fiscal Year 2019-20	<u>\$ 766,199</u> (b)
Rate Covenant Calculation (a)/(b):	2.92 %

Tehachapi-Cummings County Water District
Combining Schedule of Net Position
June 30, 2020

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Repairs	Water Payment Fund
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 4,074,267	\$ 1,616,467	\$ 307,225	\$ 414,276	\$ -
Accounts Receivable	568,314	-	-	-	-
Accrued Interest Receivable	21,474	5,081	964	1,242	12,104
Taxes Receivable	14,753	-	-	-	8,328
Other Receivables	12,175	-	-	-	-
Prepaid Expenses and Refundable Deposits	40,081	-	-	-	-
Total Current Assets	<u>4,731,064</u>	<u>1,621,548</u>	<u>308,189</u>	<u>415,518</u>	<u>20,432</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	59,014	-	-	-	4,447,972
Total Restricted Assets	<u>59,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,447,972</u>
Capital Assets:					
Land	680,084	-	-	-	-
Pumping Plants	13,007,205	-	-	-	-
Mainline Pipeline	4,293,121	-	-	-	-
Dam and Reservoir	2,009,841	-	-	-	-
Transmission and Distribution System	1,819,168	-	-	-	-
General Office, Shop and Equipment	3,779,899	-	-	-	-
Emissions Reduction	5,476,360	-	-	-	-
Water Reclamation	388,990	-	-	-	-
Groundwater Banking and Recovery	1,436,271	-	-	-	-
Flood Control Facilities	6,580	-	-	-	-
Construction in Progress	118,592	-	-	-	-
Land Not In Use	99,355	-	-	-	-
Total Capital Assets	<u>33,115,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Accumulated Depreciation	<u>(20,574,997)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, Net	<u>12,540,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>12,599,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,447,972</u>
Total Assets	<u>17,330,547</u>	<u>1,621,548</u>	<u>308,189</u>	<u>415,518</u>	<u>4,468,404</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred Outflows Related to Pensions	672,019	-	-	-	-
Total Deferred Outflows	<u>672,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts Payable	930,668	-	-	-	-
Accrued Wages Payable	51,213	-	-	-	-
Current Portion of Long-term Debt	768,068	-	-	-	-
Total Current Liabilities	<u>1,749,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Liabilities:					
Compensated Absences Payable	108,438	-	-	-	-
Loan Payable, Less Current Portion	1,794,795	-	-	-	-
Net OPEB Liability	72,174	-	-	-	-
Net Pension Liability	2,738,424	-	-	-	-
Total Noncurrent Liabilities	<u>4,713,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>6,463,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	270,740	-	-	-	-
NET POSITION					
Net Investment in Capital Assets	10,038,603	-	-	-	-
Restricted	-	-	-	-	4,468,404
Unrestricted	1,229,443	1,621,548	308,189	415,518	-
Total Net Position	<u>\$ 11,268,046</u>	<u>\$ 1,621,548</u>	<u>\$ 308,189</u>	<u>\$ 415,518</u>	<u>\$ 4,468,404</u>

Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Equipment Infrastructure Replacement	Proposition 84 Grant	Water Rate Stabilization	Totals
\$ -	\$ -	\$ -	\$ 2,232	\$ 2,062,382	\$ 1,036,956	\$ 610,249	\$ 10,124,054
-	-	-	-	-	-	-	568,314
267	500	2,903	6	6,496	-	1,918	52,955
9	20	9,278	-	-	-	-	32,388
-	-	-	-	-	-	-	12,175
-	-	24,730	-	-	-	-	64,811
<u>276</u>	<u>520</u>	<u>36,911</u>	<u>2,238</u>	<u>2,068,878</u>	<u>1,036,956</u>	<u>612,167</u>	<u>10,854,697</u>
<u>60,278</u>	<u>160,223</u>	<u>952,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,680,053</u>
<u>60,278</u>	<u>160,223</u>	<u>952,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,680,053</u>
-	-	-	-	-	-	-	680,084
-	-	-	-	-	-	-	13,007,205
-	-	-	-	-	-	-	4,293,121
-	-	-	-	-	-	-	2,009,841
-	-	-	-	-	-	-	1,819,168
-	-	-	-	-	-	-	3,779,899
-	-	-	-	-	-	-	5,476,360
-	-	-	-	-	-	-	388,990
-	-	-	-	-	-	-	1,436,271
5,907	197,208	10,729	-	-	-	-	220,424
-	-	-	-	-	-	-	118,592
-	-	-	-	-	-	-	99,355
<u>5,907</u>	<u>197,208</u>	<u>10,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,329,310</u>
-	-	-	-	-	-	-	(20,574,997)
<u>5,907</u>	<u>197,208</u>	<u>10,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,754,313</u>
<u>66,185</u>	<u>357,431</u>	<u>963,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,434,366</u>
<u>66,461</u>	<u>357,951</u>	<u>1,000,206</u>	<u>2,238</u>	<u>2,068,878</u>	<u>1,036,956</u>	<u>612,167</u>	<u>29,289,063</u>
-	-	-	-	-	-	-	672,019
-	-	-	-	-	-	-	672,019
-	-	3,411	-	-	57,956	-	992,035
-	-	-	-	-	-	-	51,213
-	-	-	-	-	-	-	768,068
<u>-</u>	<u>-</u>	<u>3,411</u>	<u>-</u>	<u>-</u>	<u>57,956</u>	<u>-</u>	<u>1,811,316</u>
-	-	-	-	-	-	-	108,438
-	-	-	-	-	-	-	1,794,795
-	-	-	-	-	-	-	72,174
-	-	-	-	-	-	-	2,738,424
-	-	-	-	-	-	-	4,713,831
-	-	3,411	-	-	57,956	-	6,525,147
-	-	-	-	-	-	-	270,740
5,907	197,208	10,729	-	-	-	-	10,252,447
60,554	160,743	986,066	-	-	-	-	5,675,767
-	-	-	2,238	2,068,878	979,000	612,167	7,236,981
<u>\$ 66,461</u>	<u>\$ 357,951</u>	<u>\$ 996,795</u>	<u>\$ 2,238</u>	<u>\$ 2,068,878</u>	<u>\$ 979,000</u>	<u>\$ 612,167</u>	<u>\$ 23,165,195</u>

Tehachapi-Cummings County Water District
Combining Schedule of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2020

	General Activities	Major Repairs	Tax Revenue Liability	Emergency Repairs	Water Payment Fund
Operating Income					
Water Sales	\$ 3,492,339	\$ -	\$ -	\$ -	\$ -
Water Services	101,768	-	-	-	-
Total Operating Income	<u>3,594,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses					
Source of Supply	455,977	-	-	-	1,995,927
Pumping	3,720,033	-	-	-	-
Transmission and Distribution	1,271,710	-	-	-	-
General and Administrative	1,632,857	-	-	-	10,287
Depreciation	896,727	-	-	-	-
Total Operating Expenses	<u>7,977,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,006,214</u>
Operating Income (Loss)	<u>(4,383,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,006,214)</u>
Non-Operating Revenues (Expenses)					
Taxes and Assessments	5,466,761	-	-	-	3,193,721
Benefit Assessments	-	-	-	-	-
Grant Revenue	-	-	-	-	-
Interest and Penalties	112,413	24,060	6,405	5,863	57,118
Interest Expense	(77,061)	-	-	-	-
Other	141,640	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>5,643,753</u>	<u>24,060</u>	<u>6,405</u>	<u>5,863</u>	<u>3,250,839</u>
Income Before Transfers	1,260,556	24,060	6,405	5,863	1,244,625
Transfers Between Funds	<u>(2,514,371)</u>	<u>-</u>	<u>(305,700)</u>	<u>22,871</u>	<u>-</u>
Capital Contributions	-	-	-	-	-
Change in Net Position	(1,253,815)	24,060	(299,295)	28,734	1,244,625
Net Position - Beginning of Year	<u>12,521,861</u>	<u>1,597,488</u>	<u>607,484</u>	<u>386,784</u>	<u>3,223,779</u>
Net Position - End of Year	<u>\$ 11,268,046</u>	<u>\$ 1,621,548</u>	<u>\$ 308,189</u>	<u>\$ 415,518</u>	<u>\$ 4,468,404</u>

Improvement District No. 2	Improvement District No. 3	Assessment Zone No. 1	Water Banking Reserve	Equipment Infrastructure Replacement	Proposition 84 Grant	Water Rate Stabilization	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,492,339
-	-	-	-	-	-	-	101,768
-	-	-	-	-	-	-	3,594,107
-	-	-	-	-	-	-	2,451,904
-	-	-	-	-	-	-	3,720,033
-	-	-	-	-	-	-	1,271,710
31,608	3,578	59,233	-	-	-	-	1,737,563
-	-	-	-	-	-	-	896,727
31,608	3,578	59,233	-	-	-	-	10,077,937
(31,608)	(3,578)	(59,233)	-	-	-	-	(6,483,830)
3,738	8,901	-	-	-	-	-	8,673,121
-	-	134,590	-	-	-	-	134,590
-	-	-	-	-	-	-	-
1,353	2,400	13,419	1,108	18,844	-	8,991	251,974
-	-	-	-	-	-	-	(77,061)
-	-	-	-	-	-	-	141,640
5,091	11,301	148,009	1,108	18,844	-	8,991	9,124,264
(26,517)	7,723	88,776	1,108	18,844	-	8,991	2,640,434
-	-	-	(181,800)	2,000,000	979,000	-	-
-	-	-	-	-	-	-	-
(26,517)	7,723	88,776	(180,692)	2,018,844	979,000	8,991	2,640,434
92,978	350,228	908,019	182,930	50,034	-	603,176	20,524,761
\$ 66,461	\$ 357,951	\$ 996,795	\$ 2,238	\$ 2,068,878	\$ 979,000	\$ 612,167	\$ 23,165,195

STATISTICAL SECTION

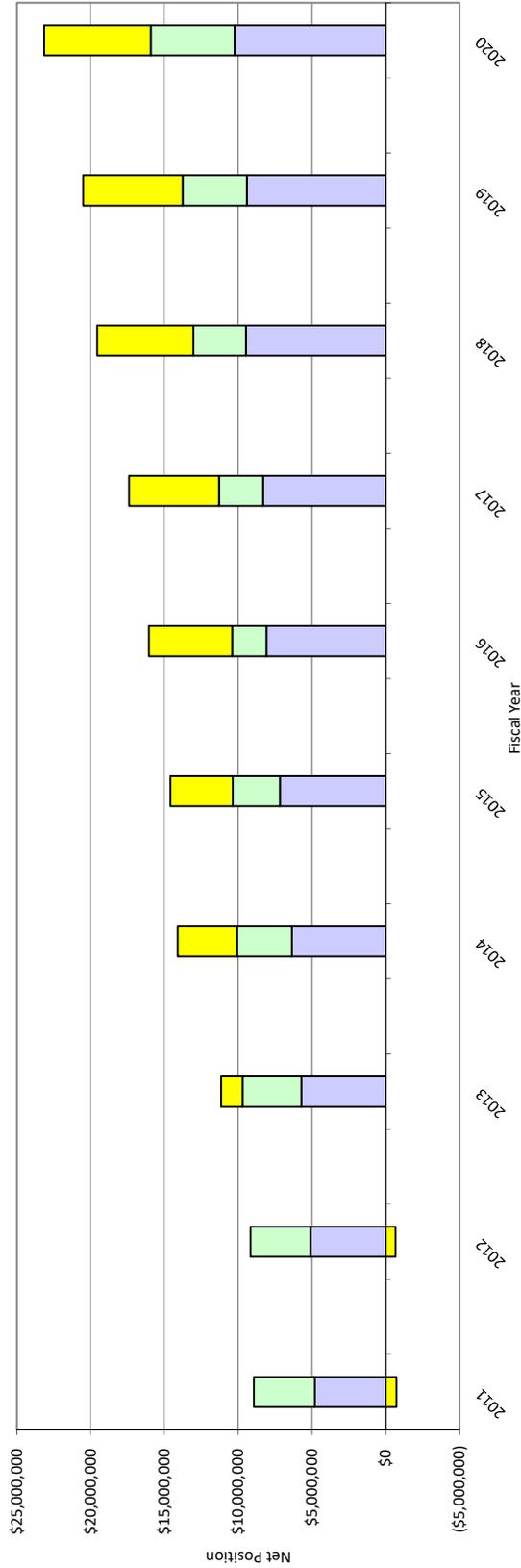
STATISTICAL SECTION

This part of the Tehachapi-Cummings County Water District's comprehensive annual 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.

CONTENTS	PAGE
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.	43
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 agency's other significant own-source revenue, water rates and charges.	45
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.	52
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.	55

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government										
Net investment in capital assets	\$ 4,817,714	5,097,703	5,730,318	6,365,364	7,171,929	8,090,795	8,313,751	9,484,993	9,425,255	10,252,447
Restricted	4,118,597	4,082,001	3,974,312	3,721,841	3,213,736	2,332,799	3,001,728	3,558,393	4,361,160	5,675,767
Unrestricted	(736,140)	(657,746)	1,469,712	4,016,721	4,214,735	5,641,709	6,093,012	6,536,020	6,738,346	7,236,981
Total primary government net position	8,200,171	8,521,958	11,174,342	14,103,926	14,600,400	16,065,303	17,408,491	19,579,406	20,524,761	23,165,195



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 was paid in full in June 2012 with a new six-year financing in the amount of \$1,719,700. Note: Loan balance paid-in-full 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) affects unrestricted net position in 2015.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenue										
Water sales	\$ 2,213,642	2,153,752	3,628,628	4,238,640	2,911,318	2,752,766	3,283,122	3,165,019	3,108,692	3,492,339
Water services	58,817	109,721	170,070	212,374	83,084	74,792	94,373	130,907	92,988	101,768
Total Operating Revenue	2,272,459	2,263,473	3,798,698	4,451,014	2,994,402	2,827,558	3,377,495	3,295,926	3,201,680	3,594,107
Operating Expenses										
Source of supply	2,039,033	1,807,335	2,012,630	2,251,965	2,175,844	2,930,542	2,359,233	2,631,392	2,709,312	2,451,904
Pumping	3,078,163	2,825,975	2,991,849	2,869,507	2,704,953	2,566,889	3,717,915	3,478,766	4,190,602	3,720,033
Transmission and distribution	854,949	805,735	811,078	970,506	859,971	1,097,929	1,566,557	893,107	1,186,672	1,271,710
General and administrative	1,141,240	1,184,938	1,231,926	1,209,872	1,720,254	1,473,593	1,698,386	1,684,384	1,797,989	1,737,563
Depreciation expense	513,231	407,561	394,875	389,980	384,693	507,970	705,045	820,972	880,039	896,727
Total Operating Expenses	7,626,616	7,031,544	7,442,358	7,691,830	7,845,715	8,576,923	10,047,136	9,508,621	10,764,614	10,077,937
Operating Loss	(5,354,157)	(4,768,071)	(3,643,660)	(3,240,816)	(4,851,313)	(5,749,365)	(6,669,641)	(6,212,695)	(7,562,934)	(6,483,830)
Non-Operating Revenue (Expense)										
Taxes and assessments	5,906,378	4,907,756	6,127,627	6,038,683	6,771,443	6,818,390	7,876,330	8,044,202	8,161,988	8,673,121
Benefit assessments	103,651	127,549	102,308	116,543	116,317	109,594	100,977	107,308	103,622	134,590
Grant Revenue	-	-	-	-	327,977	108,707	41,399	149,475	46,766	-
Interest and penalties	44,192	19,340	30,210	29,140	46,178	63,310	92,718	156,452	187,820	251,974
Interest expense	(89,503)	(68,461)	(103,447)	(82,259)	(48,827)	(91,729)	(137,272)	(110,863)	(94,078)	(77,061)
Gain (Loss) on sale of assets	-	7,100	8,030	4,600	6,169	112,500	-	6,334	-	-
Other revenues	137,121	96,574	114,916	63,693	208,490	93,496	38,677	25,538	107,335	141,640
Capital grants and contributions	152,689	-	16,400	-	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	6,254,528	5,089,858	6,296,044	6,170,400	7,427,747	7,214,268	8,012,829	8,378,446	8,513,453	9,124,264
Change in Net Position	900,371	321,787	2,652,384	2,929,584	2,576,434	1,464,903	1,343,188	2,165,751	950,519	2,640,434
Net Position - Beginning of year	7,506,109	8,200,171	8,521,958	11,174,342	14,103,926	14,600,400	16,065,303	17,408,491	19,574,242	20,524,761
Prior Period Adjustment	(206,309)	-	-	-	(2,079,960)	-	-	-	-	-
Net Position - End of year	\$ 8,200,171	8,521,958	11,174,342	14,103,926	14,600,400	16,065,303	17,408,491	19,574,242	20,524,761	23,165,195

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

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value¹ as a Percentage of Actual Value
2011	3,105,842	418,061	42,894	3,481,009	0.546	3,034,470	116.13%
2012	2,843,206	640,664	42,754	3,441,116	0.429	2,985,887	116.68%
2013	2,806,017	1,022,794	42,272	3,786,539	0.384	3,239,408	118.19%
2014	3,016,755	778,381	41,360	3,753,776	0.429	3,431,020	110.61%
2015	3,075,911	1,023,045	40,826	4,058,130	0.387	3,820,487	107.29%
2016	3,112,215	1,085,786	42,427	4,155,574	0.379	3,472,546	120.89%
2017	3,248,729	933,818	41,468	4,141,079	0.694	3,722,157	112.37%
2018	3,400,924	957,502	41,000	4,317,425	0.567	4,060,411	107.34%
2019	3,573,434	970,280	40,685	4,503,029	0.568	4,208,173	107.97%
2020	3,821,769	948,176	40,310	4,729,635	0.051	4,481,853	106.43%

Source: Kern County Auditor-Controller

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 \$/sf 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.

¹ Includes tax-exempt property

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

Fiscal Year	TCCWD Debt Service Rate	County Operating Rate	KCWA Debt Service Rate	Overlapping			Total Direct & Overlapping Rates
				TUSD Debt Service Rate	TVHD Debt Service Rate	KCCD Debt Service Rate	
2011	0.054584	1.000000	0.009357	0.050094	0.023559	0.010117	1.147711
2012	0.042864	1.000000	0.014797	0.048748	0.029032	0.009057	1.144498
2013	0.038438	1.000000	0.010320	0.057412	0.026277	0.008502	1.140949
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

Source: Kern County Treasurer-Tax Collector

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

**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
2011	3,765,173	3,757,338	99.79%	14,115	3,771,453	7,835	0.21%
2012	3,752,031	3,748,873	99.92%	(300)	3,748,573	3,158	0.08%
2013	4,219,151	4,215,417	99.91%	5,926	4,221,343	3,734	0.09%
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%

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
2011	2,004,002	1,862,672	92.95%	75,620	1,938,292	141,330	7.05%
2012	1,661,653	1,619,972	97.49%	(164,702)	1,455,270	41,681	2.51%
2013	1,560,455	1,528,933	97.98%	38,967	1,567,900	31,522	2.02%
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%

[1] Includes penalties and redemptions

Source: Kern Count Auditor-Controller

**Tehachapi-Cummings County Water District
Principal Property Tax Payers
Current Fiscal Year and Nine Years Ago**

Property Owner	2020			2011		
	Assessed Value	Rank	Percentage of Total	Assessed Value	Rank	Percentage of Total
Alta Wind I Owner Lessor ABCD	\$ 309,946,000	1	6.55%	368,791,076	1	10.59%
Calaveras Cement Co	232,713,793	2	4.92%	94,138,529	4	2.70%
Alta Wind XI LLC	181,323,000	3	3.83%			
California Portland Cement Co	176,350,783	4	3.73%	136,575,430	2	3.92%
Coram California Development LP	127,415,935	5	2.69%			
Alta Wind II Owner Lessor ABCDE	119,052,960	6	2.52%	127,962,181	3	3.68%
Mustang Hills LLC	104,544,440	7	2.21%			
Windstar Energy LLC	100,378,496	8	2.12%			
CEFF II Tehachapi Prop LLC	66,985,325	9	1.42%			
Crystal Organics Farms LLC/Grimmway Ent	19,764,264	10	0.42%	18,970,272	6	0.54%
GE Wind Energy LLC				15,875,809	7	0.46%
Home Depot USA Inc				14,098,735	10	0.41%
Pacific Crest Power LLC				18,990,423	5	0.55%
Alite Wind LLC				14,710,000	8	0.42%
Oak Creek Wind Power LLC				14,645,000	9	0.42%
Total	1,438,474,996		30.41%	824,757,455		23.69%
Total Assessed Value	4,729,634,998		100.00%	3,481,008,828		100.00%

Source: Kerndata.com.

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

Fiscal Year	Water Sales Revenue				
	Agricultural	Municipal & Industrial	Surplus	Recycled	Total
2011	686,409	1,021,090	564,960	-	2,272,459
2012	762,724	1,055,440	440,240	5,069	2,263,473
2013	1,520,585	1,132,845	1,123,709	21,559	3,798,698
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

Year	Quantity of Imported Water Sold (acre feet) ¹				
	Agricultural	Municipal & Industrial	Surplus	Recycled	Total
2010	2,029	1,867	2,000	-	5,896
2011	1,051	2,152	2,000	-	5,203
2012	3,908	1,673	5,100	200	10,881
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

Note: [1]: Imported water records are maintained on a calendar year basis.

Source: Tehachapi-Cummings CWD audited financial statements and billing records.

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

Fiscal Year	Monthly Meter Charge	Commodity Charge Per Acre Foot						
	All Customers	Agricultural			Term Municipal and Industrial			Regular Municipal Industrial (All Zones)
		Pressure Zone 1	Pressure Zone 2	Pressure Zone 3	Pressure Zone 1	Pressure Zone 2	Pressure Zone 3	
2011	4.50	309.00	412.00	575.00	363.00	485.00	676.00	1600.00
2012	4.50	309.00	412.00	575.00	363.00	485.00	676.00	1600.00
2013	4.50	309.00	388.00	575.00	363.00	456.00	676.00	1486.00
2014	4.50	363.00	456.00	676.00	363.00	456.00	676.00	1385.00
2015	4.50	363.00	456.00	676.00	363.00	456.00	676.00	1385.00
2016	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1385.00
2017	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1385.00
2018	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1385.00
2019	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1385.00
2020	4.50	363.00	436.00	676.00	363.00	436.00	676.00	1385.00

Source: Tehachapi-Cummings CWD Board resolutions.

Notes: Commodity charge includes state tax shift surcharge during fiscal years 2005 and 2006. 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.

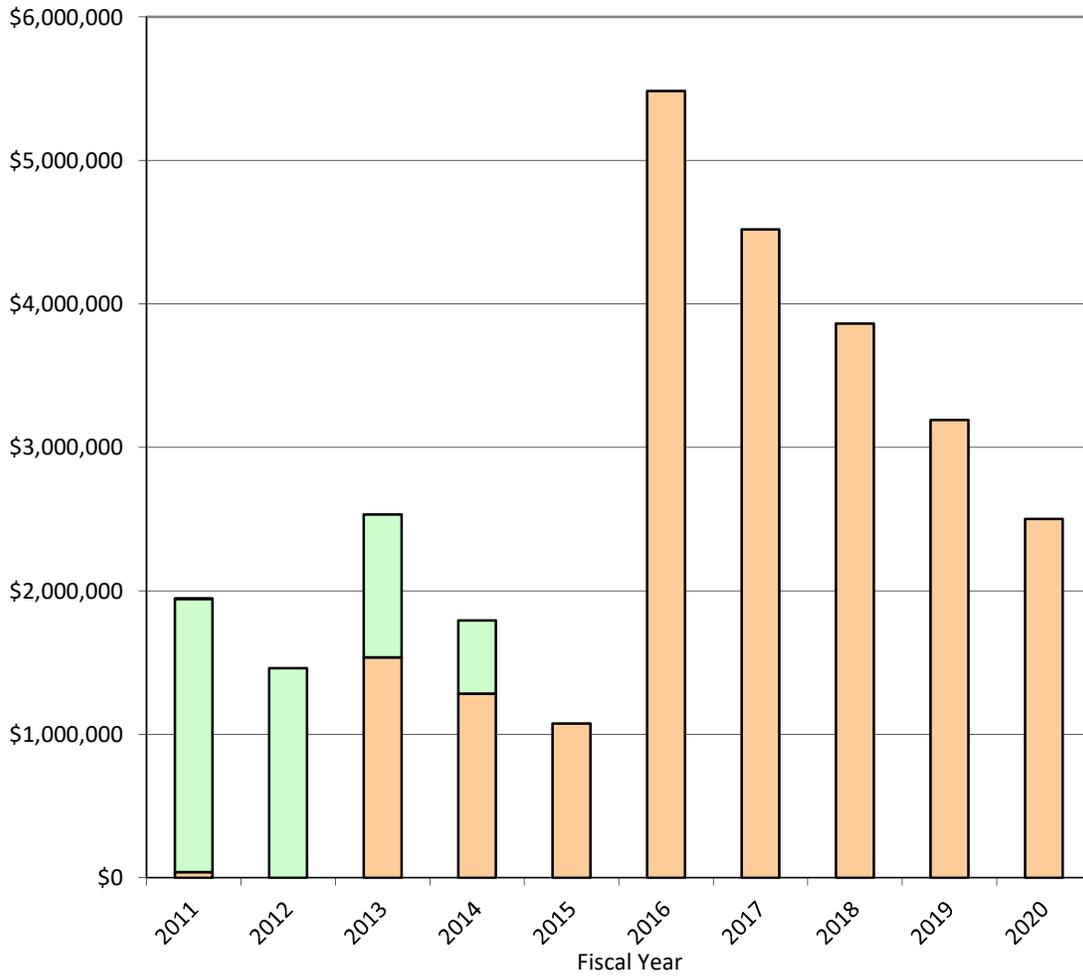
**Tehachapi-Cummings County Water District
Principal Water Customers
Current Fiscal Year and Ten Years Ago**

Customer	2020			2011		
	Annual Water Sales	Rank	Percentage of Total	Annual Water Sales	Rank	Percentage of Total
Grimmway Farms f.k.a. Crystal Organic	\$ 1,649,250	1	45.89%	\$ 556,764	1	24.50%
Heritage Farms	520,292	2	14.48%	\$ -		0.00%
Bear Valley Community Services Dist	244,539	3	6.80%	138,608	4	6.10%
City of Tehachapi	81,752	4	2.27%	172,888	2	7.61%
Valley Sod f.k.a. Tehachapi Turf	80,633	5	2.24%	31,214	10	1.37%
California Correctional Institute	79,333	6	2.21%	99,974	6	4.40%
Stallion Springs Community Svc Dist.	74,908	7	2.08%	144,734	3	6.37%
Lehr Brothers f.k.a. Kundert Brothers Farms	67,162	8	1.87%	64,969	8	2.86%
Sun Select / Revol Farms	29,109	9	0.81%	-		0.00%
Tehachapi Wind Wall	26,497 #	10	0.74%	-		0.00%
Guinn Construction	-		0.00%	113,272	5	4.98%
Oak Tree Affiliates	-		0.00%	76,335	7	3.36%
California Portland Cement Co.	-		0.00%	63,074	9	2.78%
Total	2,853,475		79.39%	1,461,832		64.33%
Total Water Sales	3,594,107		100.00%	2,272,458		100.00%

Source: TCCWD billing records.

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

Fiscal Year	Business-type Activities			Total		
	General Obligation Bonds	Bank Loans / Installment Purchases	Certificates of Participation	Debt	Per Capita	As a Share of Personal Income
2011	-	39,628	1,905,000	1,944,628	52.04	0.20%
2012	-	-	1,460,000	1,460,000	38.83	0.14%
2013	-	1,536,000	995,000	2,531,000	66.93	0.23%
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	0.33%
2019	-	3,191,004	-	3,191,004	85.94	0.25%
2020	-	2,501,866	-	2,501,866	66.75	0.19%



**Tehachapi-Cummings County Water District
Direct and Overlapping Debt
As of June 30, 2020**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Tehachapi Unified School District	\$ 6,842,000	97.35%	\$ 6,660,837
Kern Community College District	246,460,984	5.62%	13,849,946
Bear Valley Community Service Dist.	601,000	100.00%	601,000
Tehachapi Valley Healthcare District	60,384,878	95.63%	<u>57,745,859</u>
Total overlapping debt			78,857,642
TCCWD Direct Debt	2,501,866	100.00%	<u>2,501,866</u>
Total direct and overlapping debt			<u><u>\$ 81,359,508</u></u>

Source: Business office of noted agencies and Kern County Auditor-Controller.

Note: 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.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 528,585	\$ 522,581	\$ 574,322	\$ 569,270	\$ 614,843	\$ 629,700	\$ 627,382	\$ 653,764	\$ 681,557	\$ 709,445
Total debt applicable to limit	1,945	1,460	2,531	1,793	1,074	5,484	4,519	3,863	3,191	2,502
Legal Debt Margin	\$ 526,640	\$ 521,121	\$ 571,791	\$ 567,477	\$ 613,769	\$ 624,216	\$ 622,863	\$ 649,901	\$ 678,366	\$ 706,943
Total debt applicable to the limit as a percentage of debt limit	0.4%	0.3%	0.4%	0.3%	0.2%	0.9%	0.7%	0.6%	0.5%	0.4%

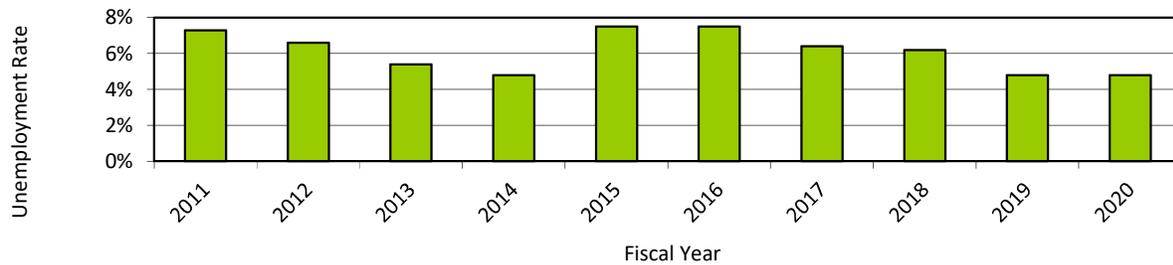
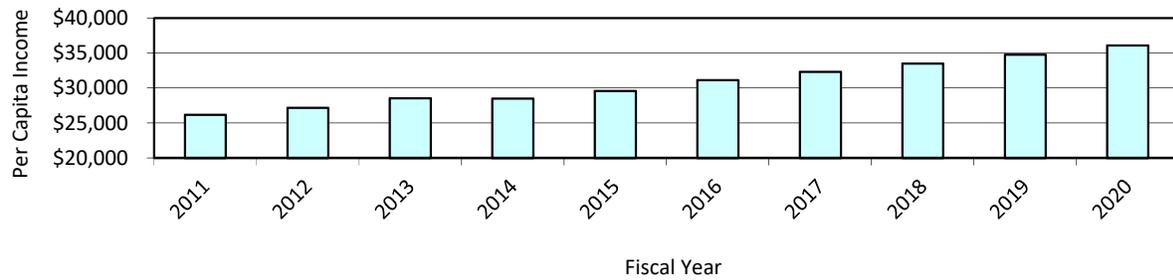
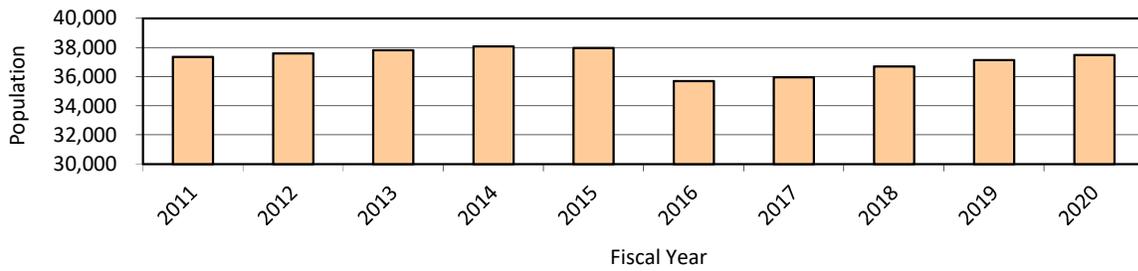
Legal Debt Margin Calculation for Fiscal Year End 2020

Assessed value	\$ 4,689,325
Add back: exempt real property	40,310
Total assessed value	<u>4,729,635</u>
Debt limit (15% of total assessed value)	709,445
Debt applicable to limit:	
General obligation bonds	-
Bank loans / Installment Purchases	2,502
Certificates of participation	-
Total debt applicable to limit	<u>2,502</u>
Legal debt margin	<u>\$ 706,943</u>

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**

Year	Population ¹	Personal Income (expressed in thousands)	Personal Income per Capita ²	Unemployment Rate ³
2011	37,367	977,930	26,171	7.3%
2012	37,595	1,020,988	27,157	6.6%
2013	37,813	1,079,488	28,548	5.4%
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	4.8%



Sources: [1] Kern Council of Governments and California Department of Finance. 2016 figure is from the 2015 Regional Urban Water Management Plan (RUWMP).

[2] Annual growth figures provided by California Department of Finance. 2010 figure is the estimate from the "American FactFinder 2007-2011 American Community Survey 5-Year Estimates" provided by the U.S. Census Bureau.

[3] California Employment Development Department - June of each year

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

Employer	Production/Services	2020		2011	
		Employees	Rank	Employees	Rank
California Correctional Inst.	State prison	1,678	1	1,911	1
Tehachapi Unified School Dist.	Public school system	542	2	464	2
Walmart	Retail	201	3		
Adventist Health	Healthcare	170	4		
Tehachapi Hospital	Healthcare			175	3
Lehigh Southwest Cement	Cement production	121	5	120	5
Home Depot	Retail store	104	6	115	6
Terra-Gen Power, LLC	Wind energy	87	7	54	12
Albertson's Supermarket	Retail grocery store	75	8	112	7
Big K Mart	Retail store			107	8
Waste Management	Waste hauler	72	9		
Benz Sanitation	Waste hauler			70	9
City of Tehachapi	Government	65	10	58	11
Tractor Supply	Retail	57	11		
Save Mart	Retail grocery store	50	12	65	10
Selecta Products, Inc.	Specialty switches	46	13	45	13
Chemtool, Inc.	Specialty lubricants	41	14	39	14
Total		3,309		3,335	

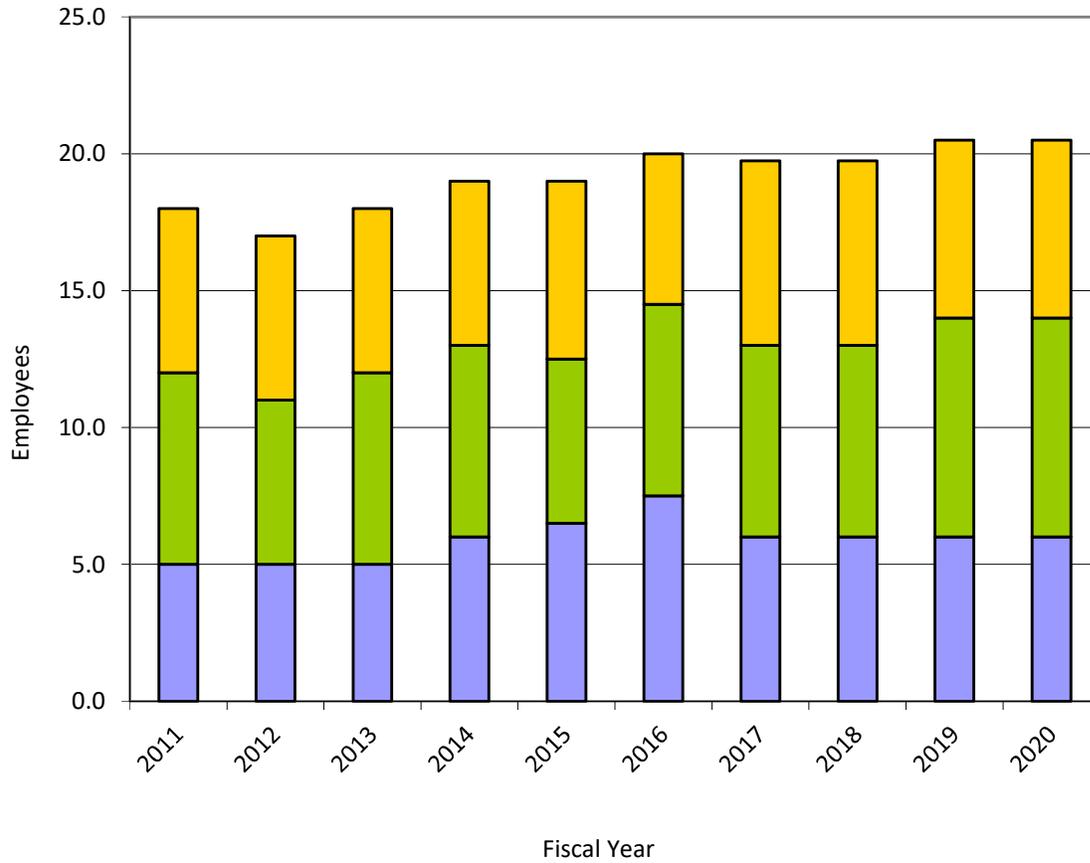
Source: Greater Tehachapi Chamber of Commerce.

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

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

Full-time Equivalent District Employees by Department

Fiscal Year	Administration	Pumping	Pipeline	Total
2011	5.0	7.0	6.0	18.0
2012	5.0	6.0	6.0	17.0
2013	5.0	7.0	6.0	18.0
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



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

Year	Other Operating and Capacity Indicators										Watermaster Statistics																																																																																																				
	Water in					Water Stored					State Water			System			Groundwater Pumping (AF)			Banked Water (AF) ²																																																																																											
	Storage (AF) (Brite Lake)		In SJV GW Banks ¹			State Water Imported		Project Allocation		% of SWP		Tehachapi	Cummings	Brite	Tehachapi		Cummings		Tehachapi	Cummings	Basin																																																																																										
	on June 30	on June 30	on June 30	Year	Year	Year	Year	Year	Year	Year	Basin	Basin	Basin	Basin	Basin	Basin	Basin	Basin	Basin	Basin	Basin																																																																																										
2011	1,340	0	9,379	2010	6,166	50%	12.7%	4,252	3,650	345	4,856	8,756	2012	1,015	9,379	6,004	80%	9.5%	4,471	2,875	346	7,108	8,764	2013	1,051	8,396	6,890	65%	12.6%	4,304	2,881	347	7,372	9,191	2014	1,310	4,020	7,367	35%	9.1%	5,302	3,404	347	7,276	9,597	2015	1,366	2,520	4,357	5%	22.3%	5,555	3,287	347	4,903	8,973	2016	817	2,520	5,160	20%	16.6%	5,541	3,629	347	4,572	8,510	2017	1,407	2,520	7,639	60%	12.6%	5,934	3,569	333	3,953	9,147	2018	1,400	8,360	10,453	85%	6.5%	5,782	3,437	341	5,812	11,176	2019	1,373	5,210	9,997	35%	8.7%	4,916	3,754	337	8,156	11,567	2020	1,003	2,410	9,973	75%	4.9%	5,347	2,592	350	9,642	12,263

Source: TCCWD Watermaster Records

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

[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 TCCWD's account only.