

Frazier Park Public Utility District

Financial Statements

June 30, 2020 and 2019

Frazier Park Public Utility District

June 30, 2020 and 2019

Directors

Gerald Garcia, President

Brahma Neyman, Vice President

Rebecca Gipson, JPIA Representative

Lisa Schoenberg, Treasurer

Terry Kelling, Secretary

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Independent Auditors' Report

Board of Directors
Frazier Park Public Utility District
Frazier Park, California

We have audited the accompanying financial statements of Frazier Park Public Utility District (the District) as of and for the years ended June 30, 2020 and 2019, 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 controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frazier Park Public Utility District as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The history and organization, schedule of rates, and schedules of general and administrative expenses on pages 25 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BARBICH HOOPER KING

DILL HOFFMAN

Accountancy Corporation



Bakersfield, California

April 19, 2021

Frazier Park Public Utility District

Management's Discussion and Analysis

As management of the Frazier Park Public Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's total net position increased by \$33,487 or 0.9% over the course of the year's operations.
- The District's total net operating and nonoperating revenues increased by \$48,458 or 3.7% over the course of the year's operations. The increase was primarily due to rate increases for water service put in effect during the prior year.
- The District's total expenses increased by \$182,000, or 16%, compared with the prior year's operations. The increase is primarily due to an increase in pumping, power, and maintenance costs.

Overview of the Financial Statements

This annual report includes management's discussion and analysis report, the independent auditors' report, the basic financial statements of the District and selected additional information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statements of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for 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 Statements of Revenues, Expenses and Changes 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, profitability and credit worthiness.

The final required financial statement is the Statements 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 change in the cash balance during the reporting period.

Frazier Park Public Utility District

Management's Discussion and Analysis

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statements of Net Position, and the Statements of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in them. One can think of the District's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

Net Position

To begin our analysis, a summary of the District's Statements of Net Position is presented in Table A-1.

Table A-1
Condensed Statements of Net Position
June 30, 2020 and 2019
(000's)

	<i>2020</i>	<i>2019</i>	<i>Dollar Change</i>	<i>Percentage Change</i>
Current Assets	\$ 1,848	\$ 1,564	\$ 284	19.7%
Restricted Assets	248	225	23	10.2%
Capital Assets	4,456	4,752	(296)	-6.6%
Total Assets	6,552	6,541	11	0.3%
Current Liabilities	149	109	40	36.9%
Long-Term Debt	2,884	2,947	(63)	-2.1%
Total Liabilities	3,033	3,056	(23)	-0.7%
Invested in Capital Assets	1,509	1,748	(239)	2.1%
Restricted	248	225	23	10.2%
Unrestricted	1,762	1,512	250	-1.3%
Total Net Position	\$ 3,519	\$ 3,485	\$ 34	1.2%

As can be seen from the table above, current and restricted assets increased and capital assets decreased in the current year. The decrease in the amount invested in capital assets decreased due to depreciation on existing assets. The total unrestricted assets increased primarily due to increases

Frazier Park Public Utility District

Management's Discussion and Analysis

in cash on hand due to the results of operations, while restricted assets increased due to transfers of funds to fulfill bond requirements.

While the Statements of Net Position shows the change in financial position of net assets of the District, the Statements of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

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

	2020	2019	Dollar Change	Percentage Change
Operating Revenues	\$ 1,362	\$ 1,329	\$ 33	2.5%
Nonoperating Revenues (Expenses), net	(2)	(17)	15	-88.2%
Total Revenues	<u>1,360</u>	<u>1,312</u>	<u>48</u>	3.7%
Operating Expenses	<u>1,326</u>	<u>1,137</u>	<u>182</u>	16.0%
Change in Net Position	34	175	(141)	
Net Position, Beginning of Year	<u>3,485</u>	<u>3,310</u>	<u>175</u>	
Net Position, End of Year	<u>\$ 3,519</u>	<u>\$ 3,485</u>	<u>\$ 34</u>	

As can be seen in Table A-2 above, the District's operating revenues for the year ended June 30, 2020 exceeded operating revenues for the year ended June 30, 2019, primarily due to rate increases effective January 2019. Nonoperating revenues, net, increased, primarily due to a California State Water Resources Control Board grant receipts in the current year while none were recognized during the year ended June 30, 2019. The District's operating expenses increased due to higher pumping, power and maintenance costs.

Frazier Park Public Utility District

Management's Discussion and Analysis

Budgetary Highlights

The District adopts an annual budget each year to project the expected coming year's operations. The budget includes proposed expenses and the means of financing them. The District's budget remains in effect the entire year and is not revised. A fiscal year June 30, 2020 budget comparison to actual is analyzed by management throughout the year; however it is not reported on nor shown in the financial statement section of this report.

A fiscal year ended June 30, 2020 budget comparison to actual is presented below in Table A-3.

Table A-3
Budget vs. Actual Comparison
Year Ended June 30, 2020
(000's)

	<u><i>Actual</i></u>	<u><i>Budget</i></u>	<u><i>Variance</i></u>
Operating Revenues	\$ 1,362	\$ 1,310	\$ 52
Nonoperating Revenues (Expenses), net	(2)	(11)	9
Total Revenues	<u>1,360</u>	<u>1,299</u>	<u>61</u>
 Operating Expenses	 <u>1,327</u>	 <u>1,020</u>	 <u>307</u>
 Change in Net Position	 <u>\$ 33</u>	 <u>\$ 279</u>	 <u>\$ (246)</u>

Operating revenues were above budget primarily due to water sales above budgeted amounts. Operating expenses for the year ended June 30, 2020 are over budget primarily due to the District not budgeting for depreciation expense.

Frazier Park Public Utility District

Management's Discussion and Analysis

Capital Assets

As of June 30, 2020, the District had invested \$9.5 million in capital assets as shown below in Table A-4.

***Table A-4
Capital Assets
June 30, 2020 and 2019
(000's)***

	<i>2020</i>	<i>2019</i>	<i>Dollar Change</i>	<i>Percentage Change</i>
Land	\$ 21	\$ 21	\$ -	0.0%
Construction in Progress	203	186	17	8.9%
Utility Plant Building	36	36	-	0.0%
Source of Supply	897	897	-	0.0%
Pumping Plant	27	27	-	0.0%
Transmission and Distribution	7,528	7,529	-	0.0%
General Plant	684	653	31	4.8%
Office Building	117	117	-	0.0%
	<u>9,513</u>	<u>9,466</u>	<u>48</u>	<u>0.5%</u>
Less: Accumulated Depreciation	<u>5,057</u>	<u>4,714</u>	<u>344</u>	7.3%
Net Capital Assets	<u>\$ 4,456</u>	<u>\$ 4,752</u>	<u>\$ (297)</u>	-6.2%

This table shows a decrease in "Net Capital Assets" resulting from several factors. During the year, the District purchased property and equipment totaling approximately \$48,000. During the year ended June 30, 2020, the District had depreciation expense of approximately \$344,000.

Debt Service Requirements

The District has outstanding Series 2005 A and B bonds of \$1,150,000 which were issued to finance the USDA Pipeline Rehabilitation Project. These bonds have a required payment of principal once per year beginning at \$15,000 and escalating to \$70,000 in the fiscal year ending 2046, plus semi-annual interest payments.

The District has outstanding Series 2011 bonds of \$1,797,000 which were used to finance water system improvements. These bonds have a required payment of principal once per year beginning at \$30,000 and escalating to \$83,000 in fiscal year ending 2051, plus semi-annual interest payments.

Frazier Park Public Utility District

Management's Discussion and Analysis

Contacting the District Management

This financial report is designed to provide our customers 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 Frazier Park Public Utility District, P.O. Box 1525, Frazier Park, CA 93225.

Frazier Park Public Utility District

***Statements of Net Position
June 30, 2020 and 2019***

<i>ASSETS</i>	<i>2020</i>	<i>2019</i>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 1,678,697	\$ 1,381,843
Accounts receivable, net	131,062	126,063
Grants receivable	12,529	6,200
Inventory, material and supplies	25,000	49,063
Prepaid expenses	500	530
	<u>1,847,788</u>	<u>1,563,699</u>
<i>Restricted Cash and Cash Equivalents</i>	<u>247,843</u>	<u>225,478</u>
<i>Capital Assets</i>, net of accumulated depreciation	<u>4,456,473</u>	<u>4,752,058</u>
	<u><u>\$ 6,552,104</u></u>	<u><u>\$ 6,541,235</u></u>
<i>LIABILITIES AND NET POSITION</i>		
<i>Current Liabilities</i>		
Current maturities of long-term debt	\$ 63,000	\$ 57,000
Trade accounts payable and accrued expenses	66,352	31,591
Accrued interest payable	19,923	20,302
	<u>149,275</u>	<u>108,893</u>
<i>Long-Term Debt</i>, less current maturities	<u>2,884,000</u>	<u>2,947,000</u>
<i>Commitments</i>		
<i>Net Position</i>		
Net investment in capital assets	1,509,473	1,748,058
Restricted	247,843	225,478
Unrestricted	1,761,513	1,511,806
	<u>3,518,829</u>	<u>3,485,342</u>
	<u><u>\$ 6,552,104</u></u>	<u><u>\$ 6,541,235</u></u>

See Notes to Financial Statements.

Frazier Park Public Utility District

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<i>Operating Revenues:</i>		
Residential water sales	\$ 1,180,260	\$ 1,128,780
Business water sales	128,300	125,915
Other operating income:		
Connections	6,330	8,900
Standby assessments	9,171	8,190
Other services	37,914	56,922
	<u>1,361,975</u>	<u>1,328,707</u>
<i>Operating Expenses:</i>		
Pumping, power and maintenance	267,796	160,140
Equipment, supplies and maintenance	60,272	33,622
General and administrative	655,311	596,774
Depreciation	343,323	346,633
	<u>1,326,702</u>	<u>1,137,169</u>
Operating income	<u>35,273</u>	<u>191,538</u>
<i>Nonoperating Revenues (Expenses):</i>		
Grant revenue	16,988	6,200
Interest income	364	400
Interest expense	(96,163)	(97,970)
Assessments	52,556	50,602
Other nonoperating income	24,469	23,792
	<u>(1,786)</u>	<u>(16,976)</u>
Change in net position	33,487	174,562
<i>Net Position, beginning of year</i>	<u>3,485,342</u>	<u>3,310,780</u>
<i>Net Position, end of year</i>	<u>\$ 3,518,829</u>	<u>\$ 3,485,342</u>

See Notes to Financial Statements.

Frazier Park Public Utility District

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<i>Cash flows from operating activities:</i>		
Receipts from customers	\$ 1,363,126	\$ 1,309,439
Payments to suppliers for goods and services	(470,267)	(328,767)
Payments to employees and employee benefits	(451,841)	(448,784)
Payments to Board of Directors for services	(8,567)	(8,100)
	<u>432,451</u>	<u>523,788</u>
<i>Cash flows from investing activities:</i>		
Interest income	<u>364</u>	<u>400</u>
<i>Cash flows from noncapital financing activities:</i>		
Receipts from assessments	52,556	50,602
Receipts from other income	<u>24,469</u>	<u>23,792</u>
	<u>77,025</u>	<u>74,394</u>
<i>Cash flows from capital and related financing activities:</i>		
Receipts from grants	10,659	-
Purchase of capital assets	(47,738)	(82,392)
Principal payments on long-term debt	(57,000)	(56,000)
Cash paid for interest	<u>(96,542)</u>	<u>(98,342)</u>
	<u>(190,621)</u>	<u>(236,734)</u>
<i>Net increase in cash and cash equivalents</i>	319,219	361,848
<i>Cash and cash equivalents, beginning of year</i>	<u>1,607,321</u>	<u>1,245,473</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 1,926,540</u></u>	<u><u>\$ 1,607,321</u></u>

See Notes to Financial Statements.

	<u>2020</u>	<u>2019</u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income	\$ 35,273	\$ 191,538
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation	343,323	346,633
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(4,999)	(8,354)
Inventory, material and supplies	24,063	5,499
Prepaid expenses	30	(278)
Trade accounts payable and accrued expenses	<u>34,761</u>	<u>(11,250)</u>
Net cash provided by operating activities	<u>\$ 432,451</u>	<u>\$ 523,788</u>
<i>Reconciliation of cash and cash equivalents:</i>		
Cash and cash equivalents	\$ 1,678,697	\$ 1,381,843
Restricted cash and cash equivalents	<u>247,843</u>	<u>225,478</u>
	<u>\$ 1,926,540</u>	<u>\$ 1,607,321</u>

Frazier Park Public Utility District

Notes to Financial Statements

Note 1. Significant Accounting Policies

The reporting entity:

The Frazier Park Public Utility District (the District) is a Special District formed in 1939 to provide water services to the unincorporated area of Frazier Park, California. The District is governed by a Board of Directors, which oversees the operations. This Board is elected by the voters of the District.

Financial reporting:

The District utilizes a net position presentation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*. Net position is categorized as invested in capital assets, net of related debt, restricted components of net position and unrestricted components of net position. These categories are defined as follows:

Invested in capital assets, net of related debt - 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 are 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 component as the unspent proceeds.

Restricted components of net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted components of net position - This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Basis of accounting:

The District uses the economic resources measurement focus and accrual basis of accounting, in conformity with the uniform system of accounts prescribed for water districts by the Controller of the State of California. Revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of cash payments or receipts.

Notes to Financial Statements

When the District has both unrestricted and restricted resources available for District purposes, it is the District's practice to first expend unrestricted resources as needed, subsequently utilizing restricted resources for only their intended purposes.

Fund accounting:

The District utilizes a proprietary enterprise fund category to account for its activities. Enterprise funds are used to 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are water sales and service revenues charged to water users. 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 nonoperating revenues and expenses.

Budgetary procedures:

The District prepares and submits a board approved budget to the County of Kern to be used in the final County budget. Disbursements are not, in all instances, classified within the District's records as presented in the budget. The District's disbursement records are maintained to show amounts expended and receipt records are maintained to reflect revenues received.

Revenue recognition:

Income is derived primarily from the sale of water, which is billed monthly based on a fixed charge and the customers' prior month water usage, and the levy of assessments which include general administration and general project service charges.

Water and general administrative and general project service charges are established and levied by the Board of Directors for the period of July through June of each year. The standby fees, general administrative and/or general project service charges are billed to landowners or property owners on their county property tax statements and recognized as income once the District receives the taxes from the County.

Notes to Financial Statements

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.

Cash flows:

GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, states for purposes of preparing the statement of cash flow, all transactions that are not classified as capital and related financing activities, noncapital financing activities or investing activities are classified as operating activities. The adjustments to reconcile operating income to net cash provided by operating activities includes other income and expenses, which consist primarily of assessments and lease revenue.

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 when purchased to be cash equivalents. Cash and cash equivalents also include cash on hand and amounts deposited with banks. The carrying amount of deposits is a reasonable estimate of fair value.

Deposits with banks, savings and loans and State Controller:

Cash funds deposited with various banks and savings and loans are covered by Federal depository insurance. Any excess deposits are collateralized 110% with securities held by the bank or savings and loan.

Accounts receivable:

Customers are billed after water has been delivered. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Management provides for uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of the individual accounts. Based on management's assessment, an allowance for doubtful accounts is necessary, therefore, an allowance of \$750 has been recorded as of June 30, 2020 and 2019.

Concentration of credit risk:

Credit is extended in the form of accounts receivable to landowners who are located in the District's service area.

Notes to Financial Statements

Inventory:

The District maintains an inventory of parts, materials, and supplies to be used for repairs and improvements. Inventory is stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Capital assets:

Capital assets are stated at cost. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	<u><i>Years</i></u>
Utility plant building	10 – 40
Source of supply	14 – 40
Pumping plant	5 – 15
Transmission and distribution	6 – 50
General plant	3 – 15
Office building	5 – 39

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Expenditures for maintenance and repairs are charged against operations. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2020 and 2019 are classified in the accompanying financial statements as follows:

	<u><i>2020</i></u>	<u><i>2019</i></u>
Cash and cash equivalents	\$ 1,678,697	\$ 1,381,843
Restricted cash and cash equivalents	247,843	225,478
	<u>\$ 1,926,540</u>	<u>\$ 1,607,321</u>

Cash and cash equivalents as of June 30, 2020 and 2019 consist of the following:

	<u><i>2020</i></u>	<u><i>2019</i></u>
Cash on hand	\$ 300	\$ 300
Deposits with financial institutions	1,926,240	1,607,021
	<u>\$ 1,926,540</u>	<u>\$ 1,607,321</u>

Notes to Financial Statements

Investments Authorized by the California Government Code and the District's Investment Policy:

The District is permitted by both Board policy and State law to invest in various authorized investments, subject to a variety of limits and controls, including State of California Investment Pool-Local Agency Investment Fund (LAIF), State of California bonds, U.S. Government Agency securities (Treasury bills and notes) and other securities (bankers' acceptances, negotiable certificates of deposit, etc.).

Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must 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. At June 30, 2020 and 2019, the District had no risk associated with custodial assets.

Disclosures relating to interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value of changes in market interest rates. The District manages its exposure to interest rate risk by not purchasing any long-term investments.

Disclosures relating to credit risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy does not contain policy related to limits on credit risk and the District did not have any investments at June 30, 2020 and 2019. The District believes it is not subject to any concentrations of credit risk.

Notes to Financial Statements

Note 3. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents as of June 30, 2020 and 2019 are as follows:

	2020	2019
Project Fund	\$ -	\$ -
Reserve Fund – Series 2005 Bonds	71,830	71,827
Reserve Fund – Series 2011 Bonds	69,269	64,016
Replacement Fund (2005 and 2011)	106,744	89,635
	<u>\$ 247,843</u>	<u>\$ 225,478</u>

Project Fund:

The provisions of the District's Water Revenue Bonds Series 2005 A and B and Series 2011 require the District to reserve any unused proceeds from the bond issuance for the expansion and or improvement of the District's water system.

Reserve Fund – Series 2005 Bonds:

The provision of the District's Water Revenue Bonds Series 2005 A and B, require the District to maintain a reserve equal to the debt service requirement for the current year. The bond agreement allows the District to accumulate the reserve at a rate of 1/10 per year.

Reserve Fund – Series 2011 Bonds:

The provision of the District's Water Revenue Bonds Series 2011, require the District to maintain a reserve equal to the debt service requirement for the current year. The bond agreement allows the District to accumulate the reserve at a rate of 1/10 per year.

Replacement Fund:

The provisions of the District's Water Revenue Bonds Series 2005 A and B require the District to establish a replacement fund once the reserve fund has exceeded the reserve requirement. Bond Series 2011 immediately established a replacement fund. This fund will be used for paying the costs of emergency repairs and maintenance of the water system, extending facilities and replacement of short-lived assets which have a useful life less than the maturity of the bonds.

Notes to Financial Statements

Note 4. Capital Assets

A summary of capital assets at June 30, 2020 and 2019 is as follows:

<i>Assets at Cost</i>				
	<i>Balance 6/30/2019</i>	<i>Acquisitions</i>	<i>Transfers/ Retirements</i>	<i>Balance 6/30/2020</i>
Capital assets, not being depreciated:				
Land	\$ 21,453	\$ -	\$ -	\$ 21,453
Construction in-progress	186,345	16,624	-	202,969
	<u>207,798</u>	<u>16,624</u>	<u>-</u>	<u>224,422</u>
Capital assets, being depreciated:				
Utility plant building	35,663	-	-	35,663
Source of supply	897,316	-	-	897,316
Pumping plant	27,292	-	-	27,292
Transmission and distribution	7,527,801	-	-	7,527,801
General plant	652,918	31,114	-	684,032
Office building	117,014	-	-	117,014
	<u>9,258,004</u>	<u>31,114</u>	<u>-</u>	<u>9,289,118</u>
	<u>\$ 9,465,802</u>	<u>\$ 47,738</u>	<u>\$ -</u>	<u>\$ 9,513,540</u>
<i>Accumulated Depreciation</i>				
	<i>Balance 6/30/2019</i>	<i>Expense</i>	<i>Transfers/ Retirements</i>	<i>Balance 6/30/2020</i>
Utility plant building	\$ 30,924	\$ 1,210	\$ -	\$ 32,134
Source of supply	311,207	27,096	-	338,303
Pumping plant	24,549	478	-	25,027
Transmission and distribution	3,799,411	243,583	-	4,042,994
General plant	479,794	68,242	-	548,036
Office building	67,859	2,714	-	70,573
	<u>\$ 4,713,744</u>	<u>\$ 343,323</u>	<u>\$ -</u>	<u>\$ 5,057,067</u>

Notes to Financial Statements

<i>Assets at Cost</i>				
	<i>Balance</i>		<i>Transfers/</i>	<i>Balance</i>
	<i>6/30/2018</i>	<i>Acquisitions</i>	<i>Retirements</i>	<i>6/30/2019</i>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,453	\$ -	\$ -	\$ 21,453
Construction in-progress	190,534	6,200	(10,389)	186,345
	<u>211,987</u>	<u>6,200</u>	<u>(10,389)</u>	<u>207,798</u>
<i>Capital assets, being depreciated:</i>				
Utility plant building	35,663	-	-	35,663
Source of supply	897,316	-	-	897,316
Pumping plant	27,292	-	-	27,292
Transmission and distribution	7,527,801	-	-	7,527,801
General plant	568,275	74,254	10,389	652,918
Office building	115,076	1,938	-	117,014
	<u>9,171,423</u>	<u>76,192</u>	<u>10,389</u>	<u>9,258,004</u>
	<u>\$ 9,383,410</u>	<u>\$ 82,392</u>	<u>\$ -</u>	<u>\$ 9,465,802</u>
<i>Accumulated Depreciation</i>				
	<i>Balance</i>		<i>Transfers/</i>	<i>Balance</i>
	<i>6/30/2018</i>	<i>Expense</i>	<i>Retirements</i>	<i>6/30/2019</i>
Utility plant building	\$ 29,714	\$ 1,210	\$ -	\$ 30,924
Source of supply	284,111	27,096	-	311,207
Pumping plant	24,071	478	-	24,549
Transmission and distribution	3,553,926	245,485	-	3,799,411
General plant	410,144	69,650	-	479,794
Office building	65,145	2,714	-	67,859
	<u>\$ 4,367,111</u>	<u>\$ 346,633</u>	<u>\$ -</u>	<u>\$ 4,713,744</u>

Notes to Financial Statements

Note 5. Long-Term Debt

The District has pledged future revenues associated with any revenue generating activity, net of all operating costs and reserves, to repay \$1,400,000 in water revenue bonds issued in December 2005 and \$2,100,000 in water revenue bonds issued during May 2011. Proceeds from the bonds provided financing for the improvement and expansion of the District's current water delivery system. The bonds are payable solely from all revenues and are payable through the fiscal year ending 2051. Annual principal and interest payments on the bonds are expected to require less than 25% of water sales revenue each fiscal year. The remaining balance on these bonds as of June 30, 2020 and 2019 are as follows:

Notes to Financial Statements

	<u><i>Current Maturities</i></u>	<u><i>2020</i></u>	<u><i>2019</i></u>
Bond holders, Water Revenue			
Bond Series 2005 A, 4.25%, secured by net revenues and reserves, interest payable semiannually on April 15 and October 15 of each year, principal payments between \$10,000 - \$50,000 commencing October 15, 2006, bonds maturing on or after October 15, 2016, final payment October 15, 2045	\$ 20,000	\$ 820,000	\$ 835,000
Bond holders, Water Revenue			
Bond Series 2005 B, 4.125%, secured by net revenues and reserves, interest payable semiannually on April 15 and October 15 of each year, principal payments between \$5,000 - \$20,000 commencing October 15, 2006, bonds maturing on or after October 15, 2006, final payment October 15, 2006	5,000	330,000	335,000
Bond holders, Water Revenue			
Bond Series 2011, 2.625%, secured by net revenues and reserves, interest payable semiannually on April 15 and October 15 of each year, principal payments between \$30,000 - \$83,000 commencing on October 15, 2011, bonds maturing on or after October 15, 2012, final payment October 15, 2020	<u>38,000</u>	<u>1,797,000</u>	<u>1,834,000</u>
	<u>\$ 63,000</u>	<u>\$ 2,947,000</u>	<u>\$ 3,004,000</u>

Notes to Financial Statements

The following is a summary of the long-term debt transactions for the years ended June 30, 2020 and 2019:

	<i>Payable 6/30/19</i>	<i>Debt Issued (Retired)</i>	<i>Payable 6/30/20</i>
Bond Series 2005 A	\$ 835,000	\$ (15,000)	\$ 820,000
Bond Series 2005 B	335,000	(5,000)	330,000
Bond Series 2011	<u>1,834,000</u>	<u>(37,000)</u>	<u>1,797,000</u>
	<u>\$ 3,004,000</u>	<u>\$ (57,000)</u>	<u>\$ 2,947,000</u>
	<i>Payable 6/30/18</i>	<i>Debt Issued (Retired)</i>	<i>Payable 6/30/19</i>
Bond Series 2005 A	\$ 850,000	\$ (15,000)	\$ 835,000
Bond Series 2005 B	340,000	(5,000)	335,000
Bond Series 2011	<u>1,870,000</u>	<u>(36,000)</u>	<u>1,834,000</u>
	<u>\$ 3,060,000</u>	<u>\$ (56,000)</u>	<u>\$ 3,004,000</u>

Annual requirements for all debt outstanding are as follows as of June 30, 2020:

<i>Years Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2021	\$ 63,000	\$ 94,179	\$ 157,179
2022	64,000	92,107	156,107
2023	70,000	89,862	159,862
2024	71,000	87,531	158,531
2025	73,000	85,155	158,155
2026-2030	400,000	387,225	787,225
2031-2035	462,000	316,005	778,005
2036-2040	557,000	230,039	787,039
2041-2045	649,000	128,657	777,657
2046-2050	455,000	35,439	490,439
2051	<u>83,000</u>	<u>635</u>	<u>83,635</u>
	<u>\$ 2,947,000</u>	<u>\$ 1,546,834</u>	<u>\$ 4,493,834</u>

Notes to Financial Statements

Note 6. Grant Revenue

In 2019, the District qualified for a \$1,014,892 grant from the California State Water Resources Control Board (CSWRCB) to be used in planning the annexation of nearby land parcels. Per the terms of the agreements, the District is to submit claims for reimbursements related to project costs. The District will be reimbursed if costs are approved and funds are available. During the years ended June 30, 2020 and June 30, 2019 the District received \$10,659 and \$-0- of grant funds respectively and recognized revenues of \$16,988 and \$6,200 respectively from the CSWRCB. As of June 30, 2020 the District had \$12,529 in grants receivable related to project costs and \$6,200 as of June 30, 2019. Funds are expected to be fully requested by October 1, 2022.

Note 7. Retirement Plan

The District adopted the Frazier Park Public Utility District 401(k) Plan (the Plan) for eligible employees as of January 1, 2016. Employees become eligible after two months of service. Eligible employees may contribute up to the IRS statutory limit of their annual compensation for the years ended June 30, 2020 and 2019. The District can make matching contributions to the Plan at its discretion. Participating employees fully vest in District contributions over a period of 6 years. The District made no contributions to the Plan for the years ended June 30, 2020 and 2019.

Note 8. Commitments

Self-insurance:

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:

	<u><i>Limits per Occurrence Self-Insurance</i></u>	<u><i>Limits per Occurrence Excess Insurance</i></u>
General, automobile and public officials liability	\$ 5,000,000	\$5,000,000 - \$55,000,000 \$3,000,000 per claim,
Cyber liability	\$ 100,000	\$5,000,000 (aggregate)
Buildings, fixed equipment, personal property, and licensed vehicles	\$ -0- \$ 100,000	\$100,000 - \$500,000,000
Fidelity coverage	\$ 100,000	\$-0-
Public official bond, per director	\$ -0-	\$50,000 or \$200,000

Notes to Financial Statements

The District is in a group that has a \$1,000 retention level (deductible) per occurrence for property damage due to theft and natural causes. Property includes buildings, personal property, fixed equipment, mobile equipment, turbines, generators and transformers. For licensed vehicles, the deductible is \$500. For mechanical damages to turbines, generators and transformers, the deductible ranges from \$25,000 to \$50,000. The auto and general liability program has no deductible. For cyber liability and fidelity coverage, the deductible is \$1,000. For cyber-security claims less than \$5,000,000 in revenue, the deductible is \$10,000; for claims from \$5,000,000 to \$25,000,000 in revenue, the deductible is \$25,000; for claims over \$25,000,000 in revenue, the deductible is \$50,000. Claims over the retention levels are insured by the group up to the self-insurance limits (see above) and by policies purchased by JPIA from Safety National Casualty Corporation, Market Global Reinsurance Company/Great American Insurance Company, Everest Reinsurance Company, Lloyd's of London (Brit Syndicate 2987), Great American E&S Insurance Company, Hallmark Specialty Insurance Company, Illinois Union Insurance Company, Allied World National Assurance Company, and General Security Indemnity Company of Arizona, 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 amount of 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.

Supplementary Information

Frazier Park Public Utility District

History and Organization June 30, 2020

The District was established on February 20, 1939, as provided by the Public Utility District Act Statutes of 1921, and is now under authority of Public Utility Code Section 15,501 et. seq. The District is located in the most southern portion of Kern County covering Frazier Park.

The Monte Vista Mutual Water Company was annexed to the District during the 1962 - 1963 fiscal year and consisted of 115 lots and an uninhabited area.

The District may supply various services to its residents but at present is engaged only in the water supply function. The District is governed by its own Board of Directors (five) elected at general district elections for a term of four years.

Voters of the District, on May 25, 1965, approved a resolution providing for the issuance of \$600,000 principal amount of "Frazier Park Public Utility District 1965 Water Bonds", which were general obligation bonds. Provision was made in the resolution for the collection of an annual tax sufficient to pay the principal and interest on bonds as they became due. Additionally, the Board of Directors resolved and agreed to establish rates and charges for water furnished by the water system of the District to produce sufficient annual net revenues at least equal to the amount of principal and interest on the bonds as they became due.

The proceeds of the bond issuance were used for the acquisition, construction and completion of water system improvements. The proceeds were received and construction began during the 1965 - 1966 fiscal year. The final funds were expended during the 1972 - 1973 fiscal year.

Frazier Park Public Utility District

***Schedule of Rates
June 30, 2020***

The schedule of annual rates, effective April 1, 2020, adopted by the Board of Directors, is as follows:

	<i>Monthly Service Charge</i>	<i>New Connection Fee</i>
<i>Residential</i>		
3/4" meter	\$ 66.55	\$ 8,000
1" meter	\$ 111.32	\$ 9,000
<i>Business</i>		
1" meter	\$ 111.32	\$ 10,000
1 1/2" meter	\$ 221.43	\$ 11,000
2" meter	\$ 354.53	\$ 12,000
3" meter	\$ 701.80	\$ 13,000
4" meter	\$ 1,101.10	\$ 13,000
6" meter	\$ 2,216.72	\$ 14,000

Customers are billed a fee ranging from \$20-100 for their request to shut off or turn on water service.

Customers are billed a fee of \$15 for reconnection due to non-payment shut off.

Customers are charged for a 48-hour shut off notice posting a fee of \$25 per occurrence.

Customers are billed on a monthly basis and are charged an additional "Consumption Fee" of \$3.15 per 1,000 gallons of water used.

Frazier Park Public Utility District

*Schedules of General and Administrative Expenses
Years Ended June 30, 2020 and 2019*

	<u>2020</u>	<u>2019</u>
Employee wages and benefits	\$ 425,408	\$ 395,276
Office supplies and expenses	127,285	125,348
Professional fees	47,956	28,798
Insurance	24,522	19,868
Dues, fees and other	19,763	14,171
Director fees	8,567	8,100
Bad debt expense	1,810	5,213
	<u>\$ 655,311</u>	<u>\$ 596,774</u>