

Frazier Park Public Utility District

Financial Statements

June 30, 2014 and 2013

Frazier Park Public Utility District

June 30, 2014 and 2013

Directors

Rebecca Gipson, President

Gerald McKay, Secretary and Treasurer

Lisa Schoenberg, Director

Gerald Garcia, Director

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Frazier Park Public Utility District as of and for the years ended June 30, 2014 and 2013, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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. 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.

Opinions

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, 2014 and 2013, 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 are presented for purposes of additional analysis and are not a required part of the 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. The 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 combined financial statements or to the combined 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

BARBICH HOOPER KING

Bakersfield, California

January 14, 2016

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, 2014 and 2013. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's total net position decreased \$364,138 or 10.7% over the course of the year's operations.
- The District's total net operating and nonoperating revenues decreased \$989,190 or 61.6% over the course of the year's operations.
- The District's total expenses increased \$207,089 or 26.7% over the course of the year's operations.

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 Statement 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, 2014 and 2013
(000's)*

	<i>2014</i>	<i>2013</i>	<i>Dollar Change</i>	<i>Percentage Change</i>
Current Assets	\$ 752	\$ 962	\$ (210)	-21.8%
Restricted Assets	73	61	12	19.7%
Capital Assets	<u>5,568</u>	<u>5,787</u>	<u>(219)</u>	-3.8%
Total Assets	<u>6,393</u>	<u>6,810</u>	<u>(417)</u>	-6.1%
Current Liabilities	120	120	-	0.0%
Long-Term Debt	<u>3,224</u>	<u>3,277</u>	<u>(53)</u>	-1.6%
Total Liabilities	<u>3,344</u>	<u>3,397</u>	<u>(53)</u>	-1.6%
Invested in Capital Assets	2,291	2,458	(167)	-6.8%
Restricted	73	61	12	19.7%
Unrestricted	<u>685</u>	<u>894</u>	<u>(209)</u>	-23.4%
Total Net Position	<u>\$ 3,049</u>	<u>\$ 3,413</u>	<u>\$ (364)</u>	-10.7%

As can be seen from the table above, current assets and capital assets decreased in the current year. The decrease in current assets is primarily due to a decrease in cash and cash equivalents. The decrease in capital assets is due to current year depreciation expense.

Frazier Park Public Utility District

Management's Discussion and Analysis

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
For the Years Ended June 30, 2014 and 2013
(000's)

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues	\$ 661	\$ 657	\$ 4	0.6%
Nonoperating Revenues, net	<u>(44)</u>	<u>949</u>	<u>(993)</u>	105%
Total Revenues	<u>617</u>	<u>1,606</u>	<u>(989)</u>	-61.6%
Operating Expenses	<u>981</u>	<u>774</u>	<u>207</u>	26.7%
Change in Net Position	(364)	832	(1,196)	
Net Position, Beginning of Year	3,413	2,529	884	
Capital Contribution	<u>-</u>	<u>52</u>	<u>(52)</u>	
Net Position, End of Year	<u>\$ 3,049</u>	<u>\$ 3,413</u>	<u>\$ (364)</u>	

As can be seen in Table A-2 above, the District's operating revenues remained approximately the same during the year ended June 30, 2014 compared to the prior year. Nonoperating revenues decreased significantly primarily due to the receipt of \$1 million United States Department of Agriculture (USDA) grant funds that were received and expended in the prior year. The District's operating expenses have increased due to an increase in materials, supplies and maintenance as well as increase in depreciation expense.

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, 2014 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 June 30, 2014 budget comparison to actual is presented below in Table A-3.

Table A-3
Budget vs. Actual Comparison
For the Year Ended June 30, 2014
(000's)

	<u><i>Actual</i></u>	<u><i>Budget</i></u>	<u><i>Variance</i></u>
Operating Revenues	\$ 661	\$ 653	\$ 8
Nonoperating Revenues, net	(44)	(55)	11
Total Revenues	<u>617</u>	<u>598</u>	<u>19</u>
Operating Expenses	<u>981</u>	<u>720</u>	<u>261</u>
Change in Net Position	<u>\$ (364)</u>	<u>\$ (122)</u>	<u>\$ (242)</u>

Operating expenses for the year ended June 30, 2014 are over budget primarily due to the District not budgeting for depreciation expense. Management notes no other significant discrepancies in budget to actual results for operating revenues and expenses.

Frazier Park Public Utility District

Management's Discussion and Analysis

Capital Assets

As of June 30, 2014, the District had invested \$5.6 million in capital assets as shown below in Table A-4.

**Table A-4
Capital Assets
June 30, 2014 and 2013
(000's)**

	2014	2013	Dollar Change	Percentage Change
Land	\$ 21	\$ 21	\$ -	0.0%
Utility Plant Building	36	36	-	0.0%
Source of Supply	421	421	-	0.0%
Pumping Plant	103	103	-	0.0%
Transmission and Distribution	7,528	7,528	-	0.0%
General Plant	558	457	101	22.1%
Office Building	111	110	1	0.9%
Capital Assets	<u>8,778</u>	<u>8,676</u>	<u>102</u>	1.2%
Less: Accumulated Depreciation	<u>3,210</u>	<u>2,889</u>	<u>321</u>	11.1%
Net Capital Assets	<u><u>\$ 5,568</u></u>	<u><u>\$ 5,787</u></u>	<u><u>\$ (219)</u></u>	-3.8%

This table shows a decrease in "Net Capital Assets" resulting from several factors. During the year, the District purchased property and equipment totaling approximately \$102,000. During the year ended June 30, 2014, the District had depreciation expense of approximately \$321,000.

Debt Service Requirements

The District has outstanding Series 2005 bonds of \$1,270,000 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 2046, plus semiannual interest payments.

The District has outstanding Series 2011 bonds of \$2,007,000 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 ended 2051, plus semiannual 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, 2014 and 2013*

ASSETS	<u>2014</u>	<u>2013</u>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 664,940	\$ 802,328
Accounts receivable, net	56,014	61,621
Inventory, material and supplies	30,859	29,606
Deposits	-	68,531
	<u>751,813</u>	<u>962,086</u>
<i>Restricted Cash</i>	<u>72,964</u>	<u>61,087</u>
<i>Capital Assets</i>, net of accumulated depreciation	<u>5,567,847</u>	<u>5,787,146</u>
	<u><u>\$ 6,392,624</u></u>	<u><u>\$ 6,810,319</u></u>
 <i>LIABILITIES AND NET POSITION</i> 		
<i>Current Liabilities</i>		
Current maturities of long-term debt	\$ 53,000	\$ 52,000
Trade accounts payable and accrued expenses	66,410	67,967
	<u>119,410</u>	<u>119,967</u>
<i>Long-Term Debt</i>, less current maturities	<u>3,224,000</u>	<u>3,277,000</u>
<i>Commitments</i>		
<i>Net Position</i>		
Invested in capital assets, net of related debt	2,290,847	2,458,146
Restricted components of net position	72,964	61,087
Unrestricted components of net position	685,403	894,119
	<u>3,049,214</u>	<u>3,413,352</u>
	<u><u>\$ 6,392,624</u></u>	<u><u>\$ 6,810,319</u></u>

See Notes to Financial Statements.

Frazier Park Public Utility District

*Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014 and 2013*

	<i>2014</i>	<i>2013</i>
<i>Operating Revenue:</i>		
Residential water sales	\$ 557,393	\$ 565,652
Business water sales	57,781	55,322
Other operating income:		
New connections	3,715	6,620
Standby assessments	8,179	797
Other services	34,122	29,085
	661,190	657,476
<i>Operating Expenses:</i>		
Pumping, power and maintenance	60,986	65,810
Equipment, supplies and maintenance	85,496	55,775
General and administrative	513,122	480,694
Depreciation	321,323	171,559
	980,927	773,838
Operating loss	(319,737)	(116,362)
<i>Nonoperating Revenue (Expense):</i>		
Grant revenue	-	1,000,000
Interest income	114	132
Interest expense	(106,853)	(107,626)
Assessments	42,740	48,080
Other nonoperating income	19,598	50,177
Loss on disposal of capital assets	-	(42,260)
	(44,401)	948,503
Change in net position	(364,138)	832,141
<i>Net Position, beginning of year</i>	3,413,352	2,529,411
Capital contributions	-	51,800
<i>Net Position, end of year</i>	\$ 3,049,214	\$ 3,413,352

See Notes to Financial Statements.

Frazier Park Public Utility District

*Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013*

	<i>2014</i>	<i>2013</i>
<i>Cash flows from operating activities:</i>		
Receipts from customers	\$ 666,796	\$ 655,819
Receipts from assessments	42,740	48,080
Receipts from other income	19,598	50,177
Payments to suppliers for goods and services	(276,784)	(291,426)
Payments to employees and employee benefits	(374,478)	(395,051)
Payments to Board of Directors for services	(10,800)	(3,900)
	<u>67,072</u>	<u>63,699</u>
<i>Net cash provided by operating activities</i>		
<i>Cash flows from investing activities:</i>		
Interest income	114	131
	<u>114</u>	<u>131</u>
<i>Cash flows from capital and related financing activities:</i>		
Receipts from grant	-	1,000,000
Contribution of capital	-	51,800
Borrowings on long-term debt	-	219,904
Payments on long-term debt	(52,000)	(51,000)
Payment for acquisition of capital assets	(33,493)	(1,231,591)
Cash paid for interest	(107,204)	(105,479)
	<u>(192,697)</u>	<u>(116,366)</u>
<i>Net cash used in capital and related financing activities</i>		
	<u>(125,511)</u>	<u>(52,536)</u>
<i>Net decrease in cash and cash equivalents</i>		
	<u>863,415</u>	<u>915,951</u>
<i>Cash and cash equivalents, beginning of year</i>		
	<u>\$ 737,904</u>	<u>\$ 863,415</u>
<i>Cash and cash equivalents, end of year</i>		
	<u>\$ 737,904</u>	<u>\$ 863,415</u>

See Notes to Financial Statements.

	<u>2014</u>	<u>2013</u>
<i>Reconciliation of operating loss to net cash provided by operating activities:</i>		
Operating loss	\$ (319,737)	\$ (116,362)
<i>Adjustments to reconcile operating loss to net cash provided by operating activities:</i>		
Depreciation	321,323	171,559
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	5,607	(1,657)
Inventory, material and supplies	(1,253)	5,500
Deposits	-	(68,531)
Trade accounts payable and accrued expenses	(1,206)	(25,067)
Assessments	42,740	48,080
Other income	19,598	50,177
	<u>\$ 67,072</u>	<u>\$ 63,699</u>
<i>Reconciliation of cash and cash equivalents:</i>		
Unrestricted cash	\$ 664,940	\$ 802,328
Restricted cash	<u>72,964</u>	<u>61,087</u>
	<u>\$ 737,904</u>	<u>\$ 863,415</u>
<i>Supplemental disclosures of cash flow information:</i>		
<i>Noncash capital and related financing activities:</i>		
Transfer of equipment from deposits to capital assets	<u>\$ 68,531</u>	<u>\$ -</u>

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 GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 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

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.

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. Other items not properly included among operating revenues are reported as non-operating revenues. All assets and liabilities associated with an enterprise fund's activities are included on its statement of net position.

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 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. Service charges are reported as income to the District for the same July through June period. The general administrative and general project service charges are billed to landowners on their county property tax statements and recognized as income once the District receives the taxes from the County.

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.

Notes to Financial Statements

Inventory:

The District maintains an inventory of parts 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.

Accounts receivable:

The District extends credit in the form of accounts receivable to customers in the Frazier Park area. The 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.

Based on management's assessment an allowance for doubtful accounts is necessary; therefore, an allowance of \$750 has been recorded as of June 30, 2014 and 2013.

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
Pumping plant	4 - 15
Transmission and distribution	10 - 50
General plant	3 - 10
Office building	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.

Cash flows:

GASB Statement 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 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.

Notes to Financial Statements

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. Deposits with the State Treasurer are fully collateralized. Cash funds deposited with the Kern County Treasurer's office are appropriately collateralized by cash, investments and securities.

Recently adopted accounting pronouncements:

In April 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). This statement is effective for periods beginning after December 15, 2012. The adoption of GASB 65 did not have any impact on the District's financial statements.

Note 2. Cash and Investments

Cash and investments as of June 30, 2014 and 2013 are classified in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Cash	\$ 664,940	\$ 802,328
Restricted cash	72,964	61,087
	<u>\$ 737,904</u>	<u>\$ 863,415</u>

Cash and investments as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	737,404	862,915
	<u>\$ 737,904</u>	<u>\$ 863,415</u>

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.).

Notes to Financial Statements

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.

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, 2014 and 2013.

Note 3. Restricted Cash

Restricted cash as of June 30, 2014 and 2013 are as follows:

	<i>2014</i>	<i>2013</i>
Project Fund	\$ 1,286	\$ 10
Reserve Fund – Series 2005 Bonds	52,599	47,876
Reserve Fund – Series 2011 Bonds	19,079	13,201
	<u>\$ 72,964</u>	<u>\$ 61,087</u>

Notes to Financial Statements

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.

Notes to Financial Statements

Note 4. Capital Assets

A summary of capital assets at June 30, 2014 and 2013 is as follows:

	<i>Assets at Cost</i>			
	<u><i>Balance 6/30/2013</i></u>	<u><i>Acquisitions</i></u>	<u><i>Transfers/ Retirements</i></u>	<u><i>Balance 6/30/2014</i></u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,453	\$ -	\$ -	\$ 21,453
Construction in progress	-	-	-	-
	<u>21,453</u>	<u>-</u>	<u>-</u>	<u>21,453</u>
 <i>Capital assets, being depreciated:</i>				
Utility plant building	35,663	-	-	35,663
Source of supply	421,909	-	-	421,909
Pumping plant	102,786	-	-	102,786
Transmission and distribution	7,527,801	-	-	7,527,801
General plant	457,011	100,789	-	557,800
Office building	109,933	1,235	-	111,168
	<u>8,655,103</u>	<u>102,024</u>	<u>-</u>	<u>8,757,127</u>
	<u>\$ 8,676,556</u>	<u>\$ 102,024</u>	<u>\$ -</u>	<u>\$ 8,778,580</u>
 <i>Accumulated Depreciation</i>				
	<u><i>Balance 6/30/2013</i></u>	<u><i>Expense</i></u>	<u><i>Transfers/ Retirements</i></u>	<u><i>Balance 6/30/2014</i></u>
Utility plant building	\$ 23,431	\$ 1,325	\$ -	\$ 24,756
Source of supply	185,594	15,108	-	200,702
Pumping plant	93,680	1,397	-	95,077
Transmission and distribution	2,320,824	245,416	-	2,566,240
General plant	214,782	55,091	-	269,873
Office building	51,099	2,986	-	54,085
	<u>\$ 2,889,410</u>	<u>\$ 321,323</u>	<u>\$ -</u>	<u>\$ 3,210,733</u>

Notes to Financial Statements

	<i>Assets at Cost</i>			
	<u><i>Balance</i></u> <u><i>6/30/2012</i></u>	<u><i>Acquisitions</i></u>	<u><i>Transfers/ Retirements</i></u>	<u><i>Balance</i></u> <u><i>6/30/2013</i></u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,453	\$ -	\$ -	\$ 21,453
Construction in progress	1,700,491	995,279	(2,695,770)	-
	<u>1,721,944</u>	<u>995,279</u>	<u>(2,695,770)</u>	<u>21,453</u>
 <i>Capital assets, being depreciated:</i>				
Utility plant building	23,563	12,100	-	35,663
Source of supply	421,409	500	-	421,909
Pumping plant	131,220	-	(28,434)	102,786
Transmission and distribution	4,950,044	-	2,577,757	7,527,801
General plant	290,537	223,712	(57,238)	457,011
Office building	109,933	-	-	109,933
	<u>5,926,706</u>	<u>236,312</u>	<u>2,492,085</u>	<u>8,655,103</u>
	<u>\$ 7,648,650</u>	<u>\$ 1,231,591</u>	<u>\$ (203,685)</u>	<u>\$ 8,676,556</u>
 <i>Accumulated Depreciation</i>				
	<u><i>Balance</i></u> <u><i>6/30/2012</i></u>	<u><i>Expense</i></u>	<u><i>Transfers/ Retirements</i></u>	<u><i>Balance</i></u> <u><i>6/30/2013</i></u>
Utility plant building	\$ 23,215	\$ 216	\$ -	\$ 23,431
Source of supply	170,506	15,088	-	185,594
Pumping plant	119,260	1,515	(27,095)	93,680
Transmission and distribution	2,256,663	141,253	(77,092)	2,320,824
General plant	261,519	10,501	(57,238)	214,782
Office building	48,113	2,986	-	51,099
	<u>\$ 2,879,276</u>	<u>\$ 171,559</u>	<u>\$ (161,425)</u>	<u>\$ 2,889,410</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, 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 ended 2051. Annual principal and interest payments on the bonds are expected to require less than 25% of water sales revenue each fiscal year. The total principal and interest paid was \$158,853 and \$156,479 for the years ended June 30, 2014 and 2013, respectively. The remaining balance on these bonds as of June 30, 2014 and 2013 are as follows:

	<i>Current Maturities</i>	<i>2014</i>	<i>2013</i>
Bond holders, Water Revenue Bond Series 2005 A, 4.25%, secured by net revenues, interest payable semiannually on April 15 and October 15 of each year, commencing October 15, 2006, bonds maturing on or after October 15, 2006, final payment October 15, 2045	\$ 15,000	\$ 910,000	\$ 925,000
Bond holders, Water Revenue Bond Series 2005 B, 4.125%, secured by net revenues, interest payable semiannually on April 15 and October 15 of each year, commencing October 15, 2006, bonds maturing on or after October 15, 2006, final payment October 15, 2045	5,000	360,000	365,000
Bond holders, Water Revenue Bond Series 2011, 2.625%, secured by net revenues, interest payable semiannually on April 15 and October 15 of each year, commencing October 15, 2011, bonds maturing on or after October 15, 2012, final payment October 15, 2050	33,000	2,007,000	2,039,000
	\$ 53,000	\$ 3,277,000	\$ 3,329,000

Notes to Financial Statements

The following is a summary of the long-term debt transactions for the years ended June 30, 2014 and 2013:

	<i>Payable 6/30/13</i>	<i>Debt Issued (Retired)</i>	<i>Payable 6/30/14</i>
Bond Series 2005 A	\$ 925,000	\$ (15,000)	\$ 910,000
Bond Series 2005 B	365,000	(5,000)	360,000
Bond Series 2011	2,039,000	(32,000)	2,007,000
	\$ 3,329,000	\$ (52,000)	\$ 3,277,000
	<i>Payable 6/30/12</i>	<i>Debt Issued (Retired)</i>	<i>Payable 6/30/13</i>
Bond Series 2005 A	\$ 940,000	\$ (15,000)	\$ 925,000
Bond Series 2005 B	370,000	(5,000)	365,000
Bond Series 2011	1,850,096	188,904	2,039,000
	\$ 3,160,096	\$ 168,904	\$ 3,329,000

The following annual requirement to amortize all debt outstanding is based on the entire principal balance of bonds issued as of June 30, 2014:

<i>Years Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2015	\$ 53,000	\$ 104,998	\$ 157,998
2016	54,000	103,269	157,269
2017	55,000	101,514	156,514
2018	55,000	99,752	154,752
2019	56,000	97,970	153,970
2020-2024	325,000	459,842	784,842
2025-2029	390,000	400,325	790,325
2030-2034	445,000	331,138	776,138
2035-2039	539,000	248,607	787,607
2040-2044	626,000	150,373	776,373
2045-2049	515,000	49,280	564,280
2050-2051	164,000	3,434	167,434
	\$ 3,277,000	\$ 2,150,502	\$ 5,427,502

Notes to Financial Statements

Note 6. 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:

	<i>Limits per Occurrence</i>	
	<i>Self-Insurance</i>	<i>Excess Insurance</i>
General, automobile and public officials liability	\$ 2,000,000	\$ 58,000,000
Building, fixed equipment, personal property, and licensed vehicles	\$ 100,000	\$ 100,000,000
Fidelity coverage	\$ 100,000	\$ -0-
Public official bond, per director	\$ -0-	\$ 10,000

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, licensed vehicles, 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 fidelity coverage, the deductible is \$1,000. 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 Starr Indemnity and Liability Company, Evanston Insurance Company, Great American Assurance, Endurance Specialty Company, Allied World National Assurance Co. and Liberty Mutual Insurance Co. 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.

Construction:

During the year ended June 30, 2010, the District was approved by the USDA for a \$2,100,000 bond issuance and a \$1,000,000 grant funded by the American Recovery and Reinvestment Act of 2009 to replace and upgrade the District water delivery system. The District completed the project during the 2013 fiscal year. As of June 30, 2013, the District had received the full \$2,100,000 in funding from the Series 2011 bond issuance and received grant funds in the amount of \$1,000,000.

Notes to Financial Statements

Note 7. Subsequent Events

Subsequent to June 30, 2014, the District was approved for a \$500,000 grant from the USDA and a \$202,000 grant from the State of California. These funds will be used for new well and water projects.

Frazier Park Public Utility District

History and Organization

June 30, 2014

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 Mountain 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, 2014*

The schedule of annual rates, effective May 1, 2010 by resolution adopted by the Board of Directors, is as follows:

	<u>Monthly</u> <u>Service Charge</u>	<u>New Connection</u> <u>Fee</u>
Residential		
3/4" meter	\$ 32.34	\$ 8,000
1" meter	\$ 37.34	\$ 9,000
Business		
1" meter	\$ 37.34	\$ 10,000
1 1/2" meter	\$ 52.34	\$ 11,000
2" meter	\$ 67.34	\$ 12,000
4" meter	\$ 117.34	\$ 13,000
6" meter	\$ 167.34	\$ 14,000

Customers are billed a fee ranging from \$20-75 for their request to shut off or turn on water service.

Customers are billed a fee of \$75 for reconnection due to non-payment shut off.

Customers are charged for a 48 hour shut off notice posting a fee of \$15 per occurrence.

Customers are billed on a monthly basis and are charged an additional "Consumption Fee" of \$0.75 per 100 cubic feet used.

Effective August 1, 2014, these annual rates were increased by resolution adopted by the Board of Directors.

Frazier Park Public Utility District

*Schedules of General and Administrative Expenses
For the Years Ended June 30, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
Employee wages and benefits	\$ 375,086	\$ 393,634
Professional fees	54,994	30,558
Office supplies and expenses	53,171	47,326
Dues, fees and other	19,071	5,276
Director fees	10,800	3,900
	<u>\$ 513,122</u>	<u>\$ 480,694</u>