

Frazier Park Public Utility District

Financial Statements

June 30, 2023 and 2022

DRAFT

Frazier Park Public Utility District

June 30, 2023 and 2022

Directors

Rebecca Gipson, President

Lisa Schoenberg, Vice President

Terry Kelling, JPIA Representative

Brahma Neyman, Treasurer

Gerald Garcia, Secretary

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Independent Auditors' Report

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

Opinions

We have audited the accompanying financial statements of Frazier Park Public Utility District (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the history and organization, schedule of rates, and schedule of general and administrative expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation

Bakersfield, California
February 14, 2024

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, 2023 and 2022. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's total net position decreased by \$18,000 or 0.4% over the course of the year's operations.
- The District's total net operating and nonoperating revenues increased by \$34,000 or 2% over the course of the year's operations. The increase was primarily due to grant income received from the State of California.
- The District's total operating expenses increased by \$450,000 or 34.5%, compared with the prior year's operations. The increase is primarily due to additional costs associated with purchasing and hauling water from other water districts and wage increases.

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, 2023, 2022, and 2021
(000's)

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 1,894	\$ 1,974	\$ (80)	-4.1%	\$ 1,719	\$ 255	14.8%
Restricted Assets	321	401	(80)	-20.0%	561	(160)	-28.5%
Capital Assets	<u>5,090</u>	<u>5,002</u>	<u>88</u>	<u>1.8%</u>	<u>4,666</u>	<u>336</u>	<u>7.2%</u>
Total Assets	<u>7,305</u>	<u>7,377</u>	<u>(72)</u>	<u>-1.0%</u>	<u>6,946</u>	<u>431</u>	<u>6.2%</u>
Current Liabilities	274	257	17	6.6%	154	103	66.9%
Long-Term Debt	<u>2,679</u>	<u>2,750</u>	<u>(71)</u>	<u>-2.6%</u>	<u>2,820</u>	<u>(70)</u>	<u>-2.5%</u>
Total Liabilities	<u>2,953</u>	<u>3,007</u>	<u>(54)</u>	<u>-1.8%</u>	<u>2,974</u>	<u>33</u>	<u>1.1%</u>
Invested in Capital Assets	2,340	2,182	158	7.2%	1,782	400	22.4%
Restricted	321	401	(80)	-20.0%	561	(160)	-28.5%
Unrestricted	<u>1,691</u>	<u>1,787</u>	<u>(96)</u>	<u>-5.4%</u>	<u>1,629</u>	<u>158</u>	<u>9.7%</u>
Total Net Position	<u>\$ 4,352</u>	<u>\$ 4,370</u>	<u>\$ (18)</u>	<u>-0.4%</u>	<u>\$ 3,972</u>	<u>\$ 398</u>	<u>10.0%</u>

Frazier Park Public Utility District

Management's Discussion and Analysis

2023

As can be seen from the table above, current and restricted assets decreased and capital assets increased in the current year. The decrease in current assets is primarily due to decreases in cash to purchase or construct new capital assets. The decrease in restricted assets was due to the District expending grant funds received in advance related to the California Department of Emergency management generator project.

2022

As can be seen from the table above, current assets and capital assets increased in the current year while restricted assets decreased. The decrease in restricted assets was primarily due to the District making a deposit on generators paid through the California Department of Emergency Management generator grant funding which was received in the prior year. The increase in current assets is primarily an increase in cash due to the results of operations in 2022, while the increase in capital assets was primarily due to capital construction on various infrastructure projects.

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, 2023, 2022, and 2021
(000's)

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues	\$ 1,394	\$ 1,352	\$ 42	3.1%	\$ 1,375	\$ (23)	-1.7%
Nonoperating Revenues (Expenses), net	344	352	(8)	-2.3%	320	32	10.0%
Total Revenues	<u>1,738</u>	<u>1,704</u>	<u>34</u>	2.0%	<u>1,695</u>	<u>9</u>	0.5%
Operating Expenses	<u>1,756</u>	<u>1,306</u>	<u>450</u>	34.5%	<u>1,242</u>	<u>64</u>	5.2%
Change in Net Position	(18)	398	(416)		453	(55)	
Net Position, Beginning of Year	<u>4,370</u>	<u>3,972</u>	<u>398</u>		<u>3,519</u>	<u>453</u>	
Net Position, End of Year	<u>\$ 4,352</u>	<u>\$ 4,370</u>	<u>\$ (18)</u>		<u>\$ 3,972</u>	<u>\$ 398</u>	

2023

As can be seen in Table A-2 above, the District's operating revenues for the year ended June 30, 2023 increased slightly from for the year ended June 30, 2022, primarily due to minor fluctuations in water deliveries compared to prior year and increases in water rates. Nonoperating revenues, net, decreased, primarily as grant income funded construction increased, however, this was offset by losses incurred on the abandonment of the Well #7. The District's operating expenses increased due to costs of water hauling along with increases in wages and additional repair and maintenance costs.

Frazier Park Public Utility District

Management's Discussion and Analysis

2022

As can be seen in Table A-2 above, the District's operating revenues for the year ended June 30, 2022 decreased slightly from for the year ended June 30, 2021, primarily due to minor fluctuations in water deliveries compared to prior year. Nonoperating revenues, net, increased, primarily due to less grant income in the current year versus the prior year. The District's operating expenses increased due to increased depreciation on capital assets.

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, 2023 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, 2023 budget comparison to actual is presented below in Table A-3.

Table A-3
Budget vs. Actual Comparison
Year Ended June 30, 2023
(000's)

	<u><i>Actual</i></u>	<u><i>Budget</i></u>	<u><i>Variance</i></u>
Operating Revenues	\$ 1,394	\$ 1,341	\$ 53
Nonoperating Revenues (Expenses), net	344	4	340
Total Revenues	<u>1,738</u>	<u>1,345</u>	<u>393</u>
Operating Expenses	<u>1,756</u>	<u>1,131</u>	<u>625</u>
Change in Net Position	<u>\$ (18)</u>	<u>\$ 214</u>	<u>\$ (232)</u>

Operating revenues were above budget primarily due to water sales above budgeted amounts. Operating expenses for the year ended June 30, 2023 are over budget primarily due to the District not budgeting for depreciation expense, along with additional costs related to water hauling. Nonoperating revenues exceeded budget primarily due to the District receiving grant income in excess of the amount budgeted due to various State of California grants.

Frazier Park Public Utility District

Management's Discussion and Analysis

Capital Assets

As of June 30, 2023 and 2022, the District had invested \$9.9 million and \$9.5 million in capital assets, respectively, as shown below in Table A-4.

Table A-4
Capital Assets
June 30, 2023, 2022, and 2021
(000's)

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percentage Change</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Land	\$ 21	\$ 21	\$ -	0.0%	\$ 21	\$ -	0.0%
Construction in progress	1,067	767	300	39.1%	246	521	211.8%
Buildings and structures	162	162	-	0.0%	162	-	0.0%
Corporate yard	44	44	-	0.0%	44	-	0.0%
General plant	3	3	-	0.0%	3	-	0.0%
Office equipment	9	9	-	0.0%	9	-	0.0%
Other property	18	14	4	28.6%	14	-	0.0%
Plant equipment	493	414	79	19.1%	414	-	0.0%
Source of supply	1,642	1,585	57	3.6%	1,423	162	11.4%
Telemetry and software	235	226	9	4.0%	200	26	13.0%
Transmission and distribution	6,003	6,003	-	0.0%	6,004	(1)	0.0%
Vehicles	235	270	(35)	-13.0%	270	-	0.0%
	<u>9,932</u>	<u>9,518</u>	<u>414</u>	<u>4.3%</u>	<u>8,810</u>	<u>708</u>	<u>8.0%</u>
Less: Accumulated Depreciation	<u>4,842</u>	<u>4,516</u>	<u>326</u>	<u>7.2%</u>	<u>4,144</u>	<u>372</u>	<u>9.0%</u>
Net Capital Assets	<u>\$ 5,090</u>	<u>\$ 5,002</u>	<u>\$ 88</u>	<u>1.8%</u>	<u>\$ 4,666</u>	<u>\$ 336</u>	<u>7.2%</u>

2023

This table shows an increase in “Net Capital Assets” resulting from several factors. During the year, the District purchased property and equipment totaling approximately \$1,219,000 and disposed of assets worth approximately \$829,000. During the year ended June 30, 2023, the District had depreciation expense of approximately \$400,000.

2022

This table shows an increase in “Net Capital Assets” resulting from capital asset purchases of property and equipment totaling approximately \$708,000. During the year ended June 30, 2022, the District had depreciation expense of approximately \$372,000.

Frazier Park Public Utility District

Management's Discussion and Analysis

Debt Service Requirements

The District has outstanding Series 2005 A and B bonds of \$1,070,000 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 \$1,680,000 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.

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.

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Frazier Park Public Utility District

*Statements of Net Position
June 30, 2023 and 2022*

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 1,643,699	\$ 1,752,761
Accounts receivable, net	133,801	134,064
Grants receivable	90,199	61,484
Inventory, material and supplies	25,000	25,000
Other assets	1,800	476
	<u>1,894,499</u>	<u>1,973,785</u>
Restricted Cash and Cash Equivalents	<u>320,624</u>	<u>401,660</u>
Capital Assets, net of accumulated depreciation	<u>5,090,467</u>	<u>5,001,834</u>
	<u>\$ 7,305,590</u>	<u>\$ 7,377,279</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	\$ 71,000	\$ 70,000
Trade accounts payable and accrued expenses	185,198	168,441
Accrued interest payable	18,237	18,721
	<u>274,435</u>	<u>257,162</u>
Long-Term Debt, less current maturities	<u>2,679,000</u>	<u>2,750,000</u>
Commitments		
Net Position		
Net investment in capital assets	2,340,467	2,181,834
Restricted	320,624	401,660
Unrestricted	1,691,064	1,786,623
	<u>4,352,155</u>	<u>4,370,117</u>
	<u>\$ 7,305,590</u>	<u>\$ 7,377,279</u>

See Notes to Financial Statements.

Frazier Park Public Utility District

*Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022*

	<i>2023</i>	<i>2022</i>
<i>Operating Revenues:</i>		
Residential water sales	\$ 1,198,202	\$ 1,180,277
Business water sales	127,673	125,963
Other operating income:		
Connections	2,211	2,725
Standby assessments	13,399	12,813
Other services	52,092	30,630
	1,393,577	1,352,408
<i>Operating Expenses:</i>		
Pumping, power and maintenance	398,771	169,400
Equipment, supplies and maintenance	78,356	45,265
General and administrative	878,810	720,273
Depreciation	400,423	371,716
	1,756,360	1,306,654
Operating income (loss)	(362,783)	45,754
<i>Nonoperating Revenues (Expenses):</i>		
Grant revenue	1,060,717	342,366
Interest income	1,534	153
Interest expense	(89,346)	(92,076)
Assessments	65,602	61,051
Other income	29,017	40,248
Gain (loss) on disposal of capital assets	(722,703)	650
	344,821	352,392
Change in net position	(17,962)	398,146
<i>Net Position, beginning of year</i>	4,370,117	3,971,971
<i>Net Position, end of year</i>	\$ 4,352,155	\$ 4,370,117

See Notes to Financial Statements.

Frazier Park Public Utility District

*Statements of Cash Flows
Years Ended June 30, 2023 and 2022*

	<i>2023</i>	<i>2022</i>
<i>Cash flows from operating activities:</i>		
Receipts from customers	\$ 1,393,382	\$ 1,353,829
Payments to suppliers for goods and services	(810,577)	(377,472)
Payments to employees and employee benefits	(507,102)	(441,080)
Payments to Board of Directors for services	(22,367)	(19,661)
	<u>53,336</u>	<u>515,616</u>
<i>Cash flows from investing activities:</i>		
Interest income	1,534	153
	<u>1,534</u>	<u>153</u>
<i>Cash flows from noncapital financing activities:</i>		
Receipts from assessments	65,602	61,051
Receipts from other income	29,017	40,248
	<u>94,619</u>	<u>101,299</u>
<i>Cash flows from capital and related financing activities:</i>		
Receipts from grants	1,032,002	301,159
Purchase of capital assets	(1,219,260)	(707,936)
Borrowing on long-term debt	324,956	-
Principal payments on long-term debt	(394,956)	(64,000)
Proceeds from disposal of capital assets	7,501	650
Cash paid for interest	(89,830)	(92,545)
	<u>(339,587)</u>	<u>(562,672)</u>
Net cash used in capital and related financing activities		
	<u>(339,587)</u>	<u>(562,672)</u>
<i>Net change in cash and cash equivalents</i>	(190,098)	54,396
<i>Cash and cash equivalents, beginning of year</i>	<u>2,154,421</u>	<u>2,100,025</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,964,323</u>	<u>\$ 2,154,421</u>

	<u>2023</u>	<u>2022</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>		
Operating income (loss)	\$ (362,783)	\$ 45,754
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>		
Depreciation	400,423	371,716
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	263	(6,717)
Other assets	(1,324)	7,561
Trade accounts payable and accrued expenses	<u>16,757</u>	<u>97,302</u>
Net cash provided by operating activities	<u>\$ 53,336</u>	<u>\$ 515,616</u>
<i>Reconciliation of cash and cash equivalents:</i>		
Cash and cash equivalents	\$ 1,643,699	\$ 1,752,761
Restricted cash and cash equivalents	<u>320,624</u>	<u>401,660</u>
	<u>\$ 1,964,323</u>	<u>\$ 2,154,421</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 of 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.

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.

Notes to Financial Statements

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.

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

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 miscellaneous 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.

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 of \$750 has been recorded as of June 30, 2023 and 2022.

Concentration of credit risk:

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

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.

Notes to Financial Statements

Capital assets:

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

	<i>Years</i>
Buildings and structures	10 - 39
Corporate yard	5 - 40
General plant	7 - 10
Office equipment	5 - 7
Other property	7 - 15
Plant equipment	5 - 20
Source of supply	5 - 40
Telemetry and software	5 - 25
Transmission and distribution	6 - 50
Vehicles	3 - 5

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.

Recently adopted accounting changes:

The District adopted GASB Statement No. 87, Leases, as of July 1, 2021, which requires lessees to recognize on the Statements of Net Position right-of-use assets and lease liabilities for leases previously classified as operating leases under the previous authoritative standards and provides enhanced disclosures surrounding the leasing arrangements.

The adoption of the new lease standard resulted in no changes to the financial statements as of July 1, 2021.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023 and 2022 are classified in the accompanying financial statements as follows:

	<i>2023</i>	<i>2022</i>
Cash and cash equivalents	\$ 1,643,699	\$ 1,752,821
Restricted cash and cash equivalents	320,624	401,600
	\$ 1,964,323	\$ 2,154,421

Notes to Financial Statements

Cash and cash equivalents as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 700	\$ 257
Deposits with financial institutions	<u>1,963,623</u>	<u>2,154,164</u>
	<u>\$ 1,964,323</u>	<u>\$ 2,154,421</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.).

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, 2023 and 2022, 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.

Notes to Financial Statements

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, 2023 and 2022. The District believes it is not subject to any concentrations of credit risk.

Note 3. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Reserve Fund – Series 2005 Bonds	\$ 71,823	\$ 71,804
Reserve Fund – Series 2011 Bonds	91,833	85,112
Replacement Fund (2005 and 2011)	156,968	140,940
California OES grant	-	103,804
	<u>\$ 320,624</u>	<u>\$ 401,660</u>

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.

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.

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.

California OES Grant:

The District received a grant, in the amount of \$288,800 from the California Office of Emergency Services (OES) to fund the purchase of electric power generators. As of June 30, 2023, the District has fully expended the grant proceeds.

Notes to Financial Statements

Note 4. Capital Assets

A summary of capital assets at June 30, 2023 and 2022 is as follows:

	<i>Assets at Cost</i>			
	<u><i>Balance</i></u> <u><i>6/30/2022</i></u>	<u><i>Acquisitions</i></u>	<u><i>Transfers/ Retirements</i></u>	
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,453	\$ -	\$ -	\$ 21,453
Construction in progress	767,449	1,029,726	(730,204)	1,066,971
	<u>788,902</u>	<u>1,029,726</u>	<u>(730,204)</u>	<u>1,088,424</u>
<i>Capital assets, being depreciated:</i>				
Buildings and structures	161,733	-	-	161,733
Corporate yard	43,972	-	-	43,972
General plant	2,868	-	-	2,868
Office equipment	8,608	-	-	8,608
Other property	13,635	4,850	-	18,485
Plant equipment	415,256	116,515	(38,361)	493,410
Source of supply	1,582,681	58,842	-	1,641,523
Telemetry and software	225,755	9,327	-	235,082
Transmission and distribution	6,004,169	-	-	6,004,169
Vehicles	270,251	-	(35,647)	234,604
	<u>8,728,928</u>	<u>189,534</u>	<u>(74,008)</u>	<u>8,844,454</u>
<i>Less accumulated depreciation</i>	<u>(4,515,996)</u>	<u>(400,423)</u>	<u>74,008</u>	<u>(4,842,411)</u>
	<u>\$ 5,001,834</u>			<u>\$ 5,090,467</u>

Notes to Financial Statements

	<i>Assets at Cost</i>			
	<i>Balance</i>		<i>Transfers/ Retirements</i>	<i>Balance</i>
	<i>6/30/2021</i>	<i>Acquisitions</i>	<i>Retirements</i>	<i>6/30/2022</i>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 21,453	\$ -	\$ -	\$ 21,453
Construction in progress	246,164	521,285	-	767,449
	267,617	521,285	-	788,902
 <i>Capital assets, being depreciated:</i>				
Buildings and structures	161,733	-	-	161,733
Corporate yard	43,972	-	-	43,972
General plant	2,868	-	-	2,868
Office equipment	8,608	-	-	8,608
Other property	13,635	-	-	13,635
Plant equipment	413,795	1,461	-	415,256
Source of supply	1,423,034	159,647	-	1,582,681
Telemetry and software	200,212	25,543	-	225,755
Transmission and distribution	6,004,169	-	-	6,004,169
Vehicles	270,251	-	-	270,251
	8,542,277	186,651	-	8,728,928
 <i>Less accumulated depreciation</i>	(4,144,280)	(371,716)	-	(4,515,996)
	\$ 4,665,614			\$ 5,001,834

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, 2023 and 2022 is as follows:

	<u><i>Current Maturities</i></u>	<u><i>2023</i></u>	<u><i>2022</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, 2006, final payment October 15, 2045	\$ 20,000	\$ 760,000	\$ 780,000
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, 2045	10,000	310,000	320,000
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, 2050	<u>41,000</u>	<u>1,680,000</u>	<u>1,720,000</u>
	<u>\$ 71,000</u>	<u>\$ 2,750,000</u>	<u>\$ 2,820,000</u>

Notes to Financial Statements

The following is a summary of the long-term debt transactions for the years ended June 30, 2023 and 2022:

	<i>Payable 6/30/22</i>	<i>Debt Issued (Retired)</i>	<i>Payable 6/30/23</i>
Bond Series 2005 A	\$ 780,000	\$ (20,000)	\$ 760,000
Bond Series 2005 B	320,000	(10,000)	310,000
Bond Series 2011	1,720,000	(40,000)	1,680,000
	\$ 2,820,000	\$ (70,000)	\$ 2,750,000
	<i>Payable 6/30/21</i>	<i>Debt Issued (Retired)</i>	<i>Payable 6/30/22</i>
Bond Series 2005 A	\$ 800,000	\$ (20,000)	\$ 780,000
Bond Series 2005 B	325,000	(5,000)	320,000
Bond Series 2011	1,759,000	(39,000)	1,720,000
	\$ 2,884,000	\$ (64,000)	\$ 2,820,000

Annual requirements for all debt outstanding are as follows as of June 30, 2023:

<i>Years Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2024	\$ 71,000	\$ 87,531	\$ 158,531
2025	73,000	85,155	158,155
2026	74,000	82,745	156,745
2027	80,000	80,158	160,158
2028	81,000	77,484	158,484
2029-2033	433,000	345,729	778,729
2034-2038	517,000	266,487	783,487
2039-2043	607,000	171,301	778,301
2044-2048	571,000	65,753	636,753
2049-2051	243,000	8,344	251,344
	\$ 2,750,000	\$ 1,270,687	\$ 4,020,687

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 agreement, 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 year ended June 30, 2023, the District received \$84,242 of grant funds and recognized revenues of \$166,087 from the CSWRCB. During the year ended June 30, 2022 the District received \$180,870 of grant funds and recognized revenues of \$166,087. As of June 30, 2023 and 2022, the District had \$87,339 and \$5,494 in grants receivable related to project costs, respectively.

In 2022, the District qualified for a \$3,997,427 grant from the California State Water Resources Control Board (CSWRCB) to complete construction of well #7, which was intended as a replacement for well #5, and to upgrade the District's water meters. During the year ended June 30, 2023, the District received \$752,262 of grant funds and recognized revenues of \$699,131 from the CSWRB. During the year ended June 30, 2022 the District received \$20,649 of grant funds and recognized revenues of \$76,640. As of the June 30, 2023 and 2022, the District had \$2,860 and \$55,991 in grants receivable related to project costs, respectively.

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, 2023 and 2022. 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 matching contributions of \$4,506 and \$-0- for the years ended June 30, 2023 and 2022, respectively.

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. The 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 billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District. During the current year, there were no significant reductions in coverage.

Supplementary Information

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Frazier Park Public Utility District

*History and Organization
June 30, 2023*

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, 2023*

The schedule of annual rates, effective January 1, 2023, adopted by the Board of Directors, is as follows:

	<u>Monthly Service Charge</u>	<u>New Connection Fee</u>
Residential		
3/4" meter	\$ 68.56	\$ 8,000
1" meter	\$ 114.68	\$ 9,000
Business		
3/4" meter	\$ 68.56	\$ 8,000
1" meter	\$ 114.68	\$ 10,000
1 1/2" meter	\$ 228.12	\$ 11,000
2" meter	\$ 365.24	\$ 12,000
3" meter	\$ 722.99	\$ 13,000
4" meter	\$ 1,134.35	\$ 13,000
6" meter	\$ 2,283.66	\$ 14,000

Customers are billed a fee ranging from \$20-108.70 for their request to shut off or turn on water service.

Customers are billed a fee of \$32.61 for reconnection due to non-payment shut off.

Customers are charged for a 48-hour shut off notice posting a fee of \$27.17 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, 2023 and 2022*

	<u>2023</u>	<u>2022</u>
Employee wages and benefits	\$ 524,753	\$ 442,212
Office expenses	142,149	121,486
Professional fees	112,759	69,190
Insurance	57,921	52,136
Dues, fees and other	18,862	15,588
Director fees	22,366	19,661
	<u>\$ 878,810</u>	<u>\$ 720,273</u>

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