

CUTLER PUBLIC UTILITY DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

CUTLER PUBLIC UTILITY DISTRICT

JUNE 30, 2021

BOARD OF DIRECTORS AND APPOINTED POSITIONS

Leonard R. Encinas	President
Jose F. Guerrero	Vice President
Vincent Capistran	Director
Bernardino Lopez	Director
Fernie T. Rubalcaba	Treasurer
Dionicio Rodriguez, Jr.	Superintendent
Martha Lowrey	Office Manager
Dennis Keller	Engineer

CUTLER PUBLIC UTILITY DISTRICT

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M. GREEN AND COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Cutler Public Utility District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of Cutler Public Utility District as of and for the year ended June 30, 2021, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Cutler Public Utility District, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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.

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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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the District's proportionate share of the net pension liability and schedule of the District's pension contributions 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.

Management has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 Budgetary Comparison Schedule - Water and Light Enterprise and the Budgetary Comparison Schedule – Wastewater Enterprise are presented for purposes of additional analysis and are not required part of the 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 Budgetary Comparison Schedule – Water and Light Enterprise and the Budgetary Comparison Schedule – Wastewater Enterprise are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

M Guen and Company LLP

Visalia, California
August 12, 2022

FINANCIAL STATEMENTS

CUTLER PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2021

	<u>Water & Light</u>	<u>Wastewater</u>	<u>Total</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 764,412	\$ 1,212,851	\$ 1,977,263
Accounts receivable	15,568	18,725	34,293
Grants receivable	83,788	-	83,788
Accrued interest receivable	367	713	1,080
Inventory	902	902	1,804
Prepaid expenses	1,579	1,579	3,158
	<hr/>	<hr/>	<hr/>
Total current assets	866,616	1,234,770	2,101,386
	<hr/>	<hr/>	<hr/>
RESTRICTED ASSETS, cash and cash equivalents	30,879	91,613	122,492
	<hr/>	<hr/>	<hr/>
CAPITAL ASSETS:			
Land	19,091	244,831	263,922
Capital assets not being depreciated	2,576,704	-	2,576,704
Capital assets, net of depreciation	2,847,261	3,281,637	6,128,898
	<hr/>	<hr/>	<hr/>
Total capital assets	5,443,056	3,526,468	8,969,524
	<hr/>	<hr/>	<hr/>
OTHER NON-CURRENT ASSETS:			
Investment in Cutler-Orosi Joint Powers Wastewater Authority	-	447,023	447,023
	<hr/>	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	62,167	16,378	78,545
	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 6,402,718</u>	<u>\$ 5,316,252</u>	<u>\$ 11,718,970</u>

See notes to financial statements.

CUTLER PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2021

	<u>Water & Light</u>	<u>Wastewater</u>	<u>Total</u>
CURRENT LIABILITIES:			
Accounts payable	\$ 18,907	\$ 26,079	\$ 44,986
Accrued payroll and vacation	1,556	1,014	2,570
Accrued interest payable	-	7,375	7,375
Customer deposits	2,450	-	2,450
Certificate of Participation - USDA loan	-	35,000	35,000
	<u>22,913</u>	<u>69,468</u>	<u>92,381</u>
Total current liabilities			
	<u>22,913</u>	<u>69,468</u>	<u>92,381</u>
NON-CURRENT LIABILITIES:			
Net pension liability	200,504	90,534	291,038
Certificate of Participation - USDA loan	-	1,440,000	1,440,000
	<u>200,504</u>	<u>1,530,534</u>	<u>1,731,038</u>
Total non-current liabilities			
	<u>200,504</u>	<u>1,530,534</u>	<u>1,731,038</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - Pension	20,426	10,927	31,353
	<u>20,426</u>	<u>10,927</u>	<u>31,353</u>
Total liabilities and deferred inflows of resources			
	<u>243,843</u>	<u>1,610,929</u>	<u>1,854,772</u>
NET POSITION:			
Net investment in capital assets	5,443,056	2,051,468	7,494,524
Restricted for:			
System expansion	30,879	56,613	87,492
Debt service	-	35,000	35,000
Unrestricted	684,940	1,562,242	2,247,182
	<u>6,158,875</u>	<u>3,705,323</u>	<u>9,864,198</u>
Total net position			
	<u>6,158,875</u>	<u>3,705,323</u>	<u>9,864,198</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,402,718</u>	<u>\$ 5,316,252</u>	<u>\$ 11,718,970</u>

See notes to financial statements.

CUTLER PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water & Light</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING REVENUES:			
Water service charges	\$ 413,843	\$ -	\$ 413,843
Light service charges	22,265	-	22,265
Wastewater service charges	<u>-</u>	<u>488,191</u>	<u>488,191</u>
Total operating revenues	<u>436,108</u>	<u>488,191</u>	<u>924,299</u>
OPERATING EXPENSES:			
Salaries	143,885	77,777	221,662
Employee benefits	103,798	52,964	156,762
Plant maintenance and operations	-	258,804	258,804
Surface water - regional project	47,000	-	47,000
Utilities - pumping	88,577	-	88,577
Utilities - lights	10,181	-	10,181
Utilities - lift flow station	-	392	392
Depreciation	152,630	228,188	380,818
Consulting engineer	20,405	8,171	28,576
District special expense	311	311	622
Insurance	12,005	13,221	25,226
Repairs and maintenance	29,327	4,158	33,485
Legal and professional	7,974	4,310	12,284
Lab and health department fees	4,783	3,463	8,246
Auditing services	12,126	12,123	24,249
Auto expenses	1,871	1,871	3,742
Office expenses	12,794	13,282	26,076
Communications	2,626	2,626	5,252
Directors' fees	3,375	3,000	6,375
Interest expense	-	30,010	30,010
Taxes and assessments	<u>1,545</u>	<u>29</u>	<u>1,574</u>
Total operating expenses	<u>655,213</u>	<u>714,700</u>	<u>1,369,913</u>
Operating loss	<u>(219,105)</u>	<u>(226,509)</u>	<u>(445,614)</u>

(continued)

CUTLER PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water & Light</u>	<u>Wastewater</u>	<u>Total</u>
NON-OPERATING REVENUES:			
Capacity right fees	2,704	9,788	12,492
Interest income	2,331	4,873	7,204
Grant revenue	83,788	-	83,788
Miscellaneous income	1,132	1,144	2,276
Net income on investment in Cutler-Orosi Joint Powers Wastewater Authority	-	5,020	5,020
	<u>89,955</u>	<u>20,825</u>	<u>110,780</u>
Total non-operating revenues			
	<u>89,955</u>	<u>20,825</u>	<u>110,780</u>
Decrease in net position	(129,150)	(205,684)	(334,834)
Net position, July 1, 2020	<u>6,288,025</u>	<u>3,911,007</u>	<u>10,199,032</u>
Net position, June 30, 2021	<u>\$ 6,158,875</u>	<u>\$ 3,705,323</u>	<u>\$ 9,864,198</u>

See notes to financial statements.

CUTLER PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water & Light</u>	<u>Wastewater</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 429,720	\$ 479,664	\$ 909,384
Cash payments to suppliers	(358,827)	(408,498)	(767,325)
Cash payments to employees	(155,461)	(84,576)	(240,037)
Net cash used by operating activities	<u>(84,568)</u>	<u>(13,410)</u>	<u>(97,978)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Miscellaneous income	<u>1,132</u>	<u>1,144</u>	<u>2,276</u>
Net cash provided by non-capital financing activities	<u>1,132</u>	<u>1,144</u>	<u>2,276</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capacity right fees collected	2,704	9,788	12,492
Acquisition and construction of capital assets	(110,260)	-	(110,260)
Certificate of participation - USDA loan payments	<u>-</u>	<u>(34,000)</u>	<u>(34,000)</u>
Net cash used by capital and related financing activities	<u>(107,556)</u>	<u>(24,212)</u>	<u>(131,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	<u>2,081</u>	<u>6,960</u>	<u>9,041</u>
Net cash provided by investing activities	<u>2,081</u>	<u>6,960</u>	<u>9,041</u>
Net decrease in cash and cash equivalents	(188,911)	(29,518)	(218,429)
Cash and cash equivalents, beginning of the year	<u>984,202</u>	<u>1,333,982</u>	<u>2,318,184</u>
Cash and cash equivalents, end of the year	<u><u>\$ 795,291</u></u>	<u><u>\$ 1,304,464</u></u>	<u><u>\$ 2,099,755</u></u>
<u>Cash Summary</u>			
Current Assets:			
Cash and cash equivalents	\$ 764,412	\$ 1,212,851	\$ 1,977,263
Restricted Assets:			
Cash and cash equivalents	<u>30,879</u>	<u>91,613</u>	<u>122,492</u>
Total cash and cash equivalents	<u><u>\$ 795,291</u></u>	<u><u>\$ 1,304,464</u></u>	<u><u>\$ 2,099,755</u></u>

See notes to financial statements.

CUTLER PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water & Light</u>	<u>Wastewater</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING LOSS</u>			
<u>TO NET CASH USED BY OPERATING</u>			
<u>ACTIVITIES:</u>			
Operating loss	\$ (219,105)	\$ (226,509)	\$ (445,614)
Adjustments to reconcile operating loss to to net cash used by operating activities			
Depreciation	152,630	228,188	380,818
(Increase) decrease in:			
Accounts receivable	(6,388)	(8,527)	(14,915)
Prepaid insurance	(62)	(62)	(124)
Deferred outflows	409	(335)	74
Increase (decrease) in:			
Accounts payable	328	690	1,018
Accrued payroll and vacation	(11,576)	(6,799)	(18,375)
Accrued interest payable	-	(170)	(170)
Pension liability	(2,230)	(688)	(2,918)
Deferred inflows	1,426	802	2,228
	<u> </u>	<u> </u>	<u> </u>
Net cash used by operating activities	<u>\$ (84,568)</u>	<u>\$ (13,410)</u>	<u>\$ (97,978)</u>

See notes to financial statements.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – Summary of Significant Accounting Policies

Organization

Cutler Public Utility District (the District) was organized under the laws of the State of California in 1922, for the purpose of operating a water pumping and distribution system and subsequently a wastewater collection system and streetlights. The District serves approximately 1,050 customers receiving water, sewer and streetlight services. The District is governed by an elected five-member board of directors.

Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- exclusion of the organization would render the financial statements incomplete or misleading

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

Fund Accounting

The accounts of the District are organized on the basis of fund accounting. Under fund accounting, different types of District operations are accounted for in different funds, each with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures as appropriate and are displayed in separate columns. Resources are allocated to and accounted for in individual funds, based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District had no non-major funds for the year ended June 30, 2021.

The operations of the District are accounted for in two enterprise funds. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges.

The following enterprise funds are utilized by the District:

The *Water and Light Fund* is used to account for water use and service light fees and expenses with providing water and streetlight services to District residents.

The *Wastewater Fund* is used to account for sewer use fees and expenses associated with providing sewer services to District residents.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts of the District and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accrual basis of accounting is required for enterprise funds and is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

Operating and Nonoperating Revenues

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment earnings, result from nonexchange transactions or ancillary activities.

Budgetary Procedures

The District operates under a budget prepared and approved annually by the Board of Directors. The budget is prepared on a detailed line item basis. Revenues are budgeted by source; expenditures or expenses are budgeted by use (salaries and employee benefits, services and supplies, other charges, fixed asset acquisitions and contingencies). Once approved, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses.

Cash and Cash Equivalents

For purposes of these financial statements, the District considers cash in checking, cash in money market accounts and all other highly liquid investments with original maturities of three months or less at date of purchase to be cash and cash equivalents.

Allowance for Doubtful Accounts

The District considers all accounts receivable to be fully collectible. Therefore, an allowance for doubtful accounts is not reflected in these financial statements.

Capital Assets

Capital assets are stated at cost. Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against its operations. Land and construction in progress are not being depreciated. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and structural components and wells	25 - 50 years
Pumping, distribution and treatment equipment	5 - 15 years
Office equipment	5 - 15 years
Automotive equipment	5 years

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Interfund receivables and payables are netted on the financial statements, when applicable. There was no interfund balance for the year ended June 30, 2021.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District. Employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District but are recorded as an expense in the year that sick leave is taken.

Equity Classifications

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The District reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

Nature and Purpose of Restricted Net Position

Restricted net position is an amount which is legally segregated for specific usage or commitments to outside third parties. Resources of restricted net position are used to fund these commitments before unrestricted resources. When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the policy of the District to use restricted resources first, then unrestricted resources.

Income Taxes

The District is a governmental agency and is not subject to income taxes.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate section for deferred outflows of resources represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

Joint Venture Investment

The investment in the Cutler-Orosi Joint Powers Wastewater Authority is accounted for by using the equity method.

General and Administrative Expenses Allocation

General and administrative expenses and other expenses not directly related to the wastewater and water functions are charged 50 percent to each activity.

Concentration of Credit Risk

The District serves the residents of Cutler, California and extends credit to substantially all of its customers.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 – Cash and Cash Equivalents

Statutes authorize districts to invest cash in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, banker's acceptances, repurchase agreements, insured money market accounts, commercial paper, county investment pools and the State Treasurer's Local Agency Investment Fund.

Cash and cash equivalents at June 30, 2021, were as follows:

	Water & Light	Wastewater	Total
Cash on hand	\$ 70	\$ 70	\$ 140
Cash in bank - checking	12,006	15,657	27,663
Cash in bank - money market	252,032	260,211	512,243
Cash in bank - SRF #1	2,610	-	2,610
State Treasurer's Office			
Local Agency Investment Fund	528,573	1,028,526	1,557,099
Total cash and cash investments	<u>\$ 795,291</u>	<u>\$ 1,304,464</u>	<u>\$ 2,099,755</u>

Restricted and unrestricted cash and cash equivalents at June 30, 2021 were as follows:

	Water & Light	Wastewater	Total
Unrestricted	\$ 764,412	\$ 1,212,851	\$ 1,977,263
Restricted	30,879	91,613	122,492
Total cash and cash investments	<u>\$ 795,291</u>	<u>\$ 1,304,464</u>	<u>\$ 2,099,755</u>

The California Government Code requires California banks and savings and loan associations to collateralize a district's deposits by pledging government securities. The market value of the pledged securities must equal at least 110 percent of a district's deposits. California law also allows financial institutions to collateralize a district's deposits by pledging first trust deed mortgage notes having a value of 150 percent of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by Federal Deposit insurance.

At June 30, 2021, the carrying amount of the District's cash deposits (including amounts in checking and money market accounts) was \$542,517 and the bank balance was \$567,939. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$317,939 was uninsured but collateralized (i.e., collateralized with securities held by the pledging financial institution at 110 percent of the deposits, in accordance with the State of California Government Code, deemed to be held in the District's name).

The District's cash and cash equivalents held in the Local Agency Investment Funds are held in pools managed by other governments, are not required to be categorized, and are carried at cost which approximates fair value. All pooled funds are regulated by the California Government Code.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 3 – Capital Assets

The following is a summary of changes in capital assets:

<u>Water & Light</u>	Balance July 1, 2020	Additions	Deletions / Reclassify	Balance June 30, 2021
<u>Capital assets not depreciated:</u>				
Land and improvements	\$ 19,091	\$ -	\$ -	\$ 19,091
Construction in progress	2,710,287	110,260	(243,843)	2,576,704
 Total capital assets not depreciated	 2,729,378	 110,260	 (243,843)	 2,595,795
<u>Other capital assets:</u>				
General plant	140,979	-	243,843	384,822
Office and shop building	195,563	-	-	195,563
Source of supply	1,325,982	-	-	1,325,982
2020 water pipeline	2,076,380		-	2,076,380
Transmission, distribution & pumping plant	780,199	-	-	780,199
 Total other capital assets at historical cost	 4,519,103	 -	 243,843	 4,762,946
Accumulated depreciation	(1,763,055)	(152,630)	-	(1,915,685)
 Other capital assets, net	 2,756,048	 (152,630)	 243,843	 2,847,261
 Water and light capital assets, net	 \$ 5,485,426	 \$ (42,370)	 \$ -	 \$ 5,443,056

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 3 – Capital Assets (continued)

	Balance July 1, 2020	Additions	Deletions / Reclassify	Balance June 30, 2021
<u>Wastewater</u>				
<u>Capital assets not depreciated:</u>				
Land and improvements	\$ 244,831	\$ -	\$ -	\$ 244,831
Total capital assets not depreciated	244,831	-	-	244,831
<u>Other capital assets:</u>				
General plant	184,803	-	-	184,803
Office and shop building	195,563	-	-	195,563
Wastewater system	618,327	-	-	618,327
1980 wastewater plant addition	2,254,760	-	-	2,254,760
2009 wastewater plant rehabilitation	1,788,608	-	-	1,788,608
2013 wastewater pipeline	3,238,319	-	-	3,238,319
Collection pipeline	8,000	-	-	8,000
Total other capital assets at historical cost	8,288,380	-	-	8,288,380
Accumulated depreciation	(4,778,555)	(228,188)	-	(5,006,743)
Other capital assets, net	3,509,825	(228,188)	-	3,281,637
Wastewater capital assets, net	\$ 3,754,656	\$ (228,188)	\$ -	\$ 3,526,468

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 4 – Investment in Cutler-Orosi Joint Powers Wastewater Authority

In March 1980, the Cutler Public Utility District entered into the Joint Wastewater Treatment and Disposal Facilities Agreement (the Agreement) with the Orosi Public Utility District, forming the Cutler-Orosi Joint Powers Wastewater Authority (the Authority) for the purpose of operating a wastewater treatment and disposal facility. Under the terms of the Agreement, which expires July 1, 2022, the Cutler Public Utility District owns 50 percent of the real property and 40 percent of the plant and equipment of the Authority and is charged for its share of the costs of the Authority based upon its pro-rata share of gallonage flows into the facility. The Orosi Public Utility District owns 50 percent of the property and 60 percent of the plant and equipment of the Authority and is charged for its share of the costs of the Authority based upon its pro-rata share of gallonage flows into the facility.

The governing board of the Authority is made up of three appointed members from the Orosi Public Utility District's Board of Directors and three appointed members from the Cutler Public Utility District's Board of Directors. The Authority's Board of Directors controls its own operations, including selection of management and approval of operating budgets. The separate boards of the Orosi Public Utility District and Cutler Public Utility District must approve capital expenditures.

The project was funded by a 75 percent of cost grant from the Environmental Protection Agency, a 12.5 percent of cost grant from the State Water Resources Control Board and 12.5 percent of cost from proceeds of revenue bond sales. The project was completed during 1982-83. The District paid its Farmers Home Administration Revenue Bond liability under the Discount Purchase Program on September 10, 1987.

The investment in the Authority is being accounted for under the equity method of accounting. The equity method of accounting for investments requires that the earnings and/or losses be reported by the investor based on the percentage of equity ownership.

This District incurred wastewater plant expenses of \$258,804 with Cutler-Orosi Joint Powers Wastewater Authority during the year ended June 30, 2021, and has a payable of \$21,567.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 4 – Investment in Cutler-Orosi Joint Powers Wastewater Authority (continued)

The following is a summary of financial information for Cutler-Orosi Joint Powers Wastewater Authority. The District's equity interest in the Authority is 31.74 percent, which is based on the member district's contribution revenue. Non-capital assets are allocated based upon each districts' contributions for the year ended June 30, 2021 (contributions are based upon equivalent dwelling units). Capital assets, the related allowance for depreciation and depreciation expense are allocated 40 percent to Cutler Public Utility District.

STATEMENT OF NET POSITION

June 30, 2021

Current assets	\$ 901,135
Capital assets	596,001
Deferred outflows of resources	36,494
Total assets and deferred outflows of resources	<u>\$ 1,533,630</u>
Current liabilities	\$ 73,023
Long-term liabilities	184,570
Deferred inflows of resources	22,746
Total liabilities and deferred inflows of resources	<u>280,339</u>
Net position	<u>1,253,291</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,533,630</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2021

Operating revenues	\$ 815,652
Operating expenses	<u>780,047</u>
Income from operations	35,605
Non-operating revenues and expenses	<u>5,267</u>
Increase in net position	<u>\$ 40,872</u>

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 5 – Board Designated Reserves

Wastewater Treatment Plant Replacement

During 1980 the District received a grant from the Environmental Protection Agency to rehabilitate and add to the wastewater treatment plant. Part of the provisions of the grant required the establishment of a wastewater capital reserve to fund future rehabilitation to the plant. The reserve requirement is no longer being enforced; therefore, the District has reclassified the accumulated budgeted amount as designated. The designation is funded annually in an amount equal to the estimated depreciation on the current plant. The current balance is \$467,304.

Capital Projects

The Board of Directors' designations for general and specific future capital outlays to replace and improve existing and future facilities and equipment are as follows:

	Water	Wastewater	Total
Well construction	\$ 109,291	\$ -	\$ 109,291
Pipeline replacement	61,884	-	61,884
Pickup and service truck replacement	30,000	20,000	50,000
Wastewater pipeline	-	53,251	53,251
Total capital projects	<u>\$ 201,175</u>	<u>\$ 73,251</u>	<u>\$ 274,426</u>

Other

The Board of Directors' designations for deductible reserve and customer deposits for the Water & Light and Wastewater funds are \$5,450 and \$5,000, respectively.

NOTE 6 – Restricted Net Position

System Expansion

Capacity right fees are established, collected and used for development of water and wastewater capacity and for expenses related to the inspection and administration of physical connections to the District's water and wastewater systems. The accumulation of capacity right fees, although not actually segregated from other District assets, are legally segregated for accounting purposes and restricted for their intended use. These accumulated fees are presented as both a restricted asset and as restricted for system expansion in the net asset section of the statement of net position.

Debt Service

The USDA Certificates of Participation loan requires that reserve funds be established to provide assurance that the principal and interest payments will be made. The accumulation of these cash reserves is segregated for accounting purposes and restricted for their intended use. This accumulated cash reserve is presented as both a restricted asset and as restricted for debt service in the net asset section of the statement of net position.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 – Pension Plan

General Information about the Pension Plan

Plan Description

Qualified employees are covered under a multiple-employer, cost-sharing defined benefit pension plan, Public Employees' Retirement Fund (PERF C), administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by state statute and Local Government resolution. The benefit terms of the CalPERS plan may be amended through legislation and Public Employers' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumption and membership information that can be found on the CalPERS website, <http://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS – PERF C provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. To be eligible for retirement, the member must be at least age 50 and have a minimum of five years of credited service. If you become a member on or after January 1, 2013, you must be at least age 52. Monthly benefits are based on three factors: service credit, benefit factor, and final compensation. Service credit is based on years of credited service, equal to one year of full-time employment. The benefit factor, which is a percentage of pay to which the member is entitled for each year of service, is determined by their age at retirement and the retirement formula based on their membership date with each employer.

There is one miscellaneous retirement formula: 2 percent at age 60, with benefit factors ranging from 1.092 percent to 2.418 percent with retirement ages of 50 to 63. Final compensation is the highest average pay rate and special compensation during any consecutive three-year period.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' periodic actuarial valuation process or by state statute. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The contribution rates are expressed as a percentage of annual payroll. For the year ended June 30, 2021, for employees hired prior to January 1, 2013, the active employee contribution rate is 7 percent of annual pay, and the employer's contribution rate is 8.794 percent. District contributions to CalPERS for the fiscal year ended June 30, 2021, were \$53,085.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 – Pension Plan (continued)

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

As of June 30, 2021, the District reported a net pension liability of \$291,038 for its proportionate share of the net pension liability for the Miscellaneous Plan.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. A comparison of the District's proportionate share at measurement date of June 30, 2020, to its proportionate share at measurement date June 30, 2019, is as follows:

Proportionate share at June 30, 2019	0.007341%
Proportionate share at June 30, 2020	<u>0.006900%</u>
Change increase	<u><u>-0.000441%</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$52,468. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 53,085	\$ -
Differences between actual and expected experience	16,150	-
Changes of assumptions	-	2,235
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	29,118
Net differences between projected and actual earnings on plan investments	<u>9,310</u>	<u>-</u>
Totals	<u><u>\$ 78,545</u></u>	<u><u>\$ 31,353</u></u>

\$53,085 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as an increase to the net pension asset or reduction of the net pension liability in the year ended June 30, 2022.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 – Pension Plan (continued)

Pension Assets, Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense, as follows:

Year ending June 30,	Net Effects on Expenses
2022	\$ (10,579)
2023	(2,855)
2024	3,076
2025	4,465
Totals	<u>\$ (5,893)</u>

Actuarial Methods and Assumptions

	Miscellaneous Plan
Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Payroll growth	2.75%
Projected salary increase	Varies by entry age and service
Experience study	7/1/1996 - 6/30/2015
Investment rate of return	7.15%
Post-Retirement Benefit Increase	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Mortality Assumptions

CalPERS uses mortality tables developed based on CalPERS specific data for all funds. The mortality table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 – Pension Plan (continued)

Long-Term Expected Rate of Return

CalPERS uses the long-term expected rate of return on pension plan investments. It was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plans. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

CalPERS utilized historical returns of all the Plan's asset classes to determine the expected compounded (geometric) returns over the short-term (first 10 years) and the long-term (11+ years) using the building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class, as follows:

Assets Class	Assumed Asset Allocation	Real Return Years 1-10 (a)	Real Return Years 11+(b)
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation sensitive assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Cash/Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

Discount Rate

CalPERS' discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 – Pension Plan (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate as well as what the District's proportionate share of the pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous Plan
1.00% Decrease	6.15%
Net Pension Liability	\$464,764
Current Discount Rate	7.15%
Net Pension Liability	\$291,038
1.00% Increase	8.15%
Net Pension Liability	\$147,494

Pension Plan Fiduciary Net Position

The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports on their website.

Summary of Changes of Benefits or Assumptions

The CalPERS board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount.

There were no changes to benefit terms or plan provisions that applied to members of CalPERS.

NOTE 8 – Certificate of Participation – USDA Loan

A trust agreement entered into as of May 1, 2012, by and among the treasurer of the Cutler Public Utility District, as trust administrator (the "Trust Administrator"), the Public Property Financing Corporation of California, (the "Corporation") and the Cutler Public Utility District, (the "District").

The District and the Corporation have entered into an installment sale agreement (the "Installment Sale Agreement"), dated as of May 1, 2012, whereby the Corporation has agreed to sell certain improvements to the District's domestic wastewater system, including related structures, improvements and equipment (the "Project") to the District and the District has agreed to purchase the Project from the Corporation.

The Corporation has assigned and transferred certain of its rights under the Installment Sale Agreement to the Trust Administrator and, in consideration of such assignment and the execution of the Trust Agreement, the Trust Administrator has executed and delivered a certificate of participation, evidencing a direct, undivided fractional interest in the installment payments and prepayments to be made by the District, to fund the project.

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 – Certificate of Participation – USDA Loan (continued)

The certificate of participation dated May 1, 2012, represents a loan in the amount of \$1,761,000 made to the District for the wastewater pipeline project. The loan bears interest at the rate of 2% per annum, payable semi-annually on October 1 and April 1. The loan is secured by the net revenues of the District, which is gross revenues less operation and maintenance expenses. The certificate of participation matures on April 1 of each year beginning in 2013 and ending in 2052 with annual maturities ranging from \$30,000 to \$63,000.

Changes in long-term obligations are as follows:

Balance July 1, 2020	Additions	Principal Payments	Balance June 30, 2021
\$ 1,509,000	\$ -	\$ 34,000	\$ 1,475,000

Future commitments for the certificates of participation as of June 30, 2021, are as follows:

	Principal	Interest	Total
2022	\$ 35,000	\$ 29,500	\$ 64,500
2023	35,000	28,800	63,800
2024	36,000	28,100	64,100
2025	37,000	27,380	64,380
2026	38,000	26,640	64,640
2027-2031	199,000	121,600	320,600
2032-2036	220,000	100,900	320,900
2037-2041	245,000	77,900	322,900
2042-2046	270,000	52,400	322,400
2047-2051	297,000	24,380	321,380
2052	63,000	1,260	64,260
Totals	\$ 1,475,000	\$ 518,860	\$ 1,993,860

CUTLER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 9 – Commitments and Contingencies

Risk Management

The District has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; wrongful acts; injuries to employees; and employee health and life. Payments of premiums for these policies are recorded as expenses of the District. Insurance settlements have not exceeded insurance coverage in any of the past three years. There are no significant reductions in coverage compared to the prior years.

Water and Wastewater System Improvements

The District has several water and wastewater system improvements that are at various stages from planning through completion as follows:

- Construction and development of wells
- Water blending tank system for wells
- Water blending tank system for wells – The District received an extension on the project completion deadline from the State Water Resources Control Board. The extension, granted on August 2, 2021, amended the project completion date to December 31, 2022. This was an amendment to the grant agreement originally entered in December 2011 for safe drinking water funding.

NOTE 10 – Subsequent Events

Management has evaluated subsequent events through August 12, 2022, the date on which the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, however subsequent events have occurred, the nature of which are disclosed in Note 9 – Commitments and Contingencies.

REQUIRED SUPPLEMENTARY INFORMATION

CUTLER PUBLIC UTILITY DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM – LAST 10 YEARS*

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.008272%	\$ 204,441	\$ 185,171	110.41%	77.25%
June 30, 2015	0.006031%	\$ 165,461	\$ 190,657	86.78%	82.73%
June 30, 2016	0.006027%	\$ 209,355	\$ 194,261	107.77%	79.78%
June 30, 2017	0.005663%	\$ 223,256	\$ 215,237	103.73%	81.64%
June 30, 2018	0.007630%	\$ 272,638	\$ 216,266	126.07%	79.57%
June 30, 2019	0.007341%	\$ 293,956	\$ 224,515	130.93%	78.48%
June 30, 2020	0.006900%	\$ 291,038	\$ 241,136	120.69%	78.48%

*The amounts presented for each fiscal year were determined as of June 30. This schedule is presented to illustrate the requirement to show information for ten years. Only seven years are presented because ten year data is not yet available.

Notes to Schedule

Changes of Assumptions

Measurement Date	Discount Rate	Inflation	Payroll Growth	Projected Salary Increase (1)	Experience Study	Investment Rate of Return
June 30, 2014	7.50%	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2015	7.65% (2)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2016	7.65% (2)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2017	7.15% (2)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2018	7.15% (2)	2.50%	2.75%	Varies	7/1/1996-6/30/2015	7.50%
June 30, 2019	7.15% (2)	2.50%	2.75%	Varies	7/1/1996-6/30/2015	7.15%
June 30, 2020	7.15% (2)	2.50%	2.75%	Varies	7/1/1996-6/30/2015	7.15%

(1) Varies on entry age and service

(2) Net of pension plan investment expenses; include inflation, but gross of administrative expenses

(3) Excludes reduction of pension plan administrative expense

CUTLER PUBLIC UTILITY DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM – LAST 10 YEARS*

Fiscal Year End	Statutorily Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2015	\$ 36,751	\$ 36,751	\$ -	\$ 190,657	6.652%
June 30, 2016	\$ 39,061	\$ 39,061	\$ -	\$ 194,261	6.709%
June 30, 2017	\$ 33,515	\$ 33,515	\$ -	\$ 215,237	7.159%
June 30, 2018	\$ 11,276	\$ 11,276	\$ -	\$ 216,266	7.200%
June 30, 2019	\$ 42,953	\$ 42,953	\$ -	\$ 224,515	7.634%
June 30, 2020	\$ 49,599	\$ 49,599	\$ -	\$ 241,136	8.081%
June 30, 2021	\$ 53,085	\$ 53,085	\$ -	\$ 221,661	8.794%

*This schedule is presented to illustrate the requirement to show information for ten years. Only seven years are presented because ten years of data is not yet available.

Notes to Schedule

Changes of Assumptions

Measurement Date	Discount Rate	Inflation	Payroll Growth	Projected Salary Increase (1)	Experience Study	Investment Rate of Return
June 30, 2014	7.50%	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2015	7.65% (2)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2016	7.65% (2)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2017	7.15% (2)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
June 30, 2018	7.15% (2)	2.50%	2.75%	Varies	7/1/1996-6/30/2015	7.50%
June 30, 2019	7.15% (2)	2.50%	2.75%	Varies	7/1/1996-6/30/2015	7.15%
June 30, 2020	7.15% (2)	2.50%	2.75%	Varies	7/1/1996-6/30/2015	7.15%

(1) Varies on entry age and service

(2) Net of pension plan investment expenses; include inflation, but gross of administrative expenses

(3) Excludes reduction of pension plan administrative expense

SUPPLEMENTARY INFORMATION

CUTLER PUBLIC UTILITY DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2021

Water and Light

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Water service charges	\$ 410,500	\$ 413,843	\$ 3,343
Light service charges	22,000	22,265	265
Interest income	-	2,331	2,331
Capacity right fees	-	2,704	2,704
SRF#1 blending tank	530,662	-	(530,662)
DWR meter grant	93,677	83,788	(9,889)
Miscellaneous income	-	1,132	1,132
Total revenues	1,056,839	526,063	(530,776)
Operating Expenses:			
Salary and Employee Benefits:			
Salaries	152,700	137,015	15,685
Overtime	8,000	6,870	1,130
Extra help	1,000	-	1,000
Directors' fees	7,000	3,375	3,625
Employee benefits	113,882	109,549	4,333
Total salary and employee benefits	282,582	256,809	25,773
Services and Supplies:			
Communications	2,800	2,626	174
District special expense	3,000	311	2,689
Groundwater	2,000	76	1,924
Household expense	1,100	853	247
Insurance	6,400	6,254	146
Maintenance - equipment	50,000	1,655	48,345
Maintenance - structure and improvements	26,862	27,596	(734)
Office expense	13,250	8,678	4,572
Permits and fees	4,808	4,783	25
Professional and specialized	55,700	40,317	15,383
Publications and legal notices	1,000	45	955
Rental and lease - equipment	2,000	-	2,000
School	1,000	-	1,000
Small tools	400	49	351

-continued-

CUTLER PUBLIC UTILITY DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Services and Supplies (continued):			
Surface water - regional project	60,000	47,000	13,000
Transportation and travel	3,200	1,871	1,329
Utilities - business office	3,000	2,563	437
Utilities - pumping	88,615	88,577	38
Utilities - lights	12,000	10,181	1,819
Uniforms	1,000	794	206
Uncollectible accounts	300	-	300
Taxes and assessments	100	1,545	(1,445)
Total services and supplies	<u>338,535</u>	<u>245,774</u>	<u>92,761</u>
Fixed Assets:			
Pickup and service truck	30,000	-	30,000
Well chlorination equipment	2,000	-	2,000
Customer services (grant)	93,677	-	93,677
Blending tank project SRF #1	1,051,787	110,260	941,527
Abandon well #3 and #4	30,000	-	30,000
Well #11	10,000	-	10,000
Total fixed assets	<u>1,217,464</u>	<u>110,260</u>	<u>1,107,204</u>
Contingencies:			
Appropriations for contingencies	<u>38,646</u>	<u>-</u>	<u>38,646</u>
Total expenses	<u>1,877,227</u>	<u>612,843</u>	<u>1,264,384</u>
Excess (Deficiency) of Revenues Over			
Expenses (Budgetary Basis)	<u>\$ (820,388)</u>	(86,780)	<u>\$ 733,608</u>
Depreciation		(152,630)	
Total fixed assets capitalized		<u>110,260</u>	
Decrease in net position as reported			
on the Statement of Revenues, Expenses			
and Changes in Fund Net Position		<u>\$ (129,150)</u>	

See independent auditors' report.

CUTLER PUBLIC UTILITY DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2021

Wastewater

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Waterwaste service charges	\$ 498,000	\$ 488,191	\$ (9,809)
Interest income	-	4,873	4,873
Capacity right fees	-	9,788	9,788
Miscellaneous income	1,000	1,144	144
Net income on investment in Cutler-Orosi			
Joint Powers Wastewater Authority	-	5,020	5,020
Total revenues	<u>499,000</u>	<u>509,016</u>	<u>10,016</u>
Operating Expenses:			
Salary and employee benefits			
Salaries	83,400	74,930	8,470
Overtime	4,000	2,847	1,153
Extra help	1,000	-	1,000
Directors' fees	3,000	3,000	-
Employee benefits	63,152	59,931	3,221
Total salary and employee benefits	<u>154,552</u>	<u>140,708</u>	<u>13,844</u>
Services and Supplies:			
Communications	2,800	2,626	174
District special expense	316	311	5
Household expense	1,100	853	247
Insurance	6,400	6,254	146
Interest expense	30,500	30,010	490
Maintenance - equipment	10,000	1,378	8,622
Maintenance - structure and improvements	8,000	2,780	5,220
Maintenance - plant	258,804	258,804	-
Miscellaneous expense	1,000	475	525
Office expense	12,250	8,548	3,702
Permits and fees	4,078	3,463	615
Professional and specialized	33,200	24,559	8,641
Publications and legal notices	1,000	45	955
Rental and lease - equipment	1,000	-	1,000
School	1,000	-	1,000
Small tools	400	49	351
Transportation	3,200	1,871	1,329

-continued-

See independent auditors' report.

CUTLER PUBLIC UTILITY DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Services and Supplies (continued):			
Utilities - business office	2,900	2,563	337
Utilities - L.S. and meter	500	392	108
Uniforms	1,000	794	206
Uncollectible accounts	300	-	300
Taxes and assessments	100	29	71
Total services and supplies	<u>379,848</u>	<u>345,804</u>	<u>34,044</u>
Other Charges:			
Repayment - Long-term debt	34,000	34,000	-
Depreciation-WCRF	<u>36,714</u>	<u>-</u>	<u>36,714</u>
Total other charges	<u>70,714</u>	<u>34,000</u>	<u>36,714</u>
Fixed Assets:			
Manhole cover replacement	2,000	-	2,000
Pickup and service truck	20,000	-	20,000
Line/lateral mapping	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total fixed assets	<u>24,500</u>	<u>-</u>	<u>24,500</u>
Contingencies:			
Appropriations for contingencies	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>629,614</u>	<u>520,512</u>	<u>109,102</u>
Excess (Deficiency) of Revenues Over			
Expenses (Budgetary Basis):	<u>\$ (130,614)</u>	(11,496)	<u>\$ 119,118</u>
Depreciation		(228,188)	
Repayment - Long-term debt		<u>34,000</u>	
Decrease in net position as reported			
on the Statement of Revenues, Expenses			
and Changes in Fund Net Position		<u>\$ (205,684)</u>	

See independent auditors' report.

OTHER INDEPENDENT AUDITORS' REPORT



HANFORD | PORTERVILLE | TULARE | VISALIA

M. GREEN AND COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Independent Auditors' Report

Board of Directors
Cutler Public Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of Cutler Public Utility District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Cutler Public Utility District's basic financial statements, and have issued our report thereon dated August 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cutler Public Utility District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cutler Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cutler Public Utility District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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GINILU VANDERWALL, CPA

KRISTI WEAVER, CPA

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Custer Public Utility District in a separate letter dated August 12, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

M. Queen and Company LLP

Visalia, California
August 12, 2022

FINDINGS AND RECOMMENDATIONS

CUTLER PUBLIC UTILITY DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A None Reported

Type of auditors' report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance? Yes N/A No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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The District had less than \$750,000 in federal expenditures this year.

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? Yes N/A No

CUTLER PUBLIC UTILITY DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

CUTLER PUBLIC UTILITY DISTRICT

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior year audit findings.		