

PIXLEY PUBLIC UTILITY DISTRICT
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2021

**PIXLEY PUBLIC UTILITY DISTRICT
JUNE 30, 2021**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| <u>GENERAL INFORMATION</u> | |
| Board Members..... | i |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 3 |
| <u>Basic Financial Statements</u> | |
| Statement of Net Position | 6 |
| Statement of Activities and Changes in Net Position | 7 |
| Statement of Cash Flows..... | 8 |
| Notes to Basic Financial Statements | 9 |
| <u>SUPPLEMENTARY INFORMATION</u> | |
| <u>Supplementary Information</u> | |
| Combining Statement of Net Position by Activity for the Fiscal Year Ended June 30, 2021..... | 17 |
| Combining Statement of Activities and Changes in Net Position by Activity for the Fiscal Year Ended June 30, 2021 | 18 |
| Statement of Operating Expenses by Activity for the Fiscal Year Ended June 30, 2021..... | 19 |
| Combining Statement of Net Position by Activity for the Fiscal Year Ended June 30, 2020..... | 20 |
| Combining Statement of Activities and Changes in Net Position by Activity for the Fiscal Year Ended June 30, 2020 | 21 |
| Statement of Operating Expenses by Activity for the Fiscal Year Ended June 30, 2020..... | 22 |

Other Information

| | |
|---|----|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 23 |
| Schedule of Current Year Audit Findings and Responses | 25 |
| Status of Prior Year Audit Findings and Responses | 26 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance | 27 |
| Schedule of Expenditures of Federal Awards | 29 |
| Notes to the Schedule of Expenditures of Federal Awards | 30 |

FINDINGS AND QUESTIONED COSTS

| | |
|---|----|
| Schedule of Findings and Questioned Costs | 31 |
|---|----|

GENERAL INFORMATION

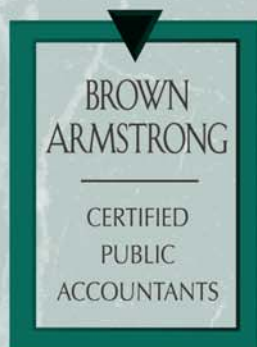
**PIXLEY PUBLIC UTILITY DISTRICT
BOARD MEMBERS
JUNE 30, 2021**

BOARD MEMBERS

Rodger Ward (President)
David G. Terrel Jr. (Vice President)
Alton Blair Jr.
Ronnie Prine
Ramon Cisneros

Term expires November 2024
Term expires November 2024
Term expires November 2024
Term expires November 2022
Term expires November 2022

FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pixley Public Utility District
Pixley, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Pixley Public Utility District (the District) as of and for the fiscal year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year's comparative information has been derived from the District's 2020 basic financial statements and, in our report dated October 2, 2020, we expressed an unmodified opinion on the basic financial statements.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards 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 September 23, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Bakersfield, California
September 23, 2021

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

**PIXLEY PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS)**

This section of the Pixley Public Utility District's (the District) basic financial statements presents management's discussion and analysis of the District's performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's basic financial statements, which follow this section.

The District was organized on January 28, 1947, under the statutes of 1921, Chapter 560, as amended and incorporated in the Public Utilities Code (PUC), Section 15501 and following, codified in 1953. The District is governed by a Board of Directors (the Board) consisting of five members.

The District was initially formed to provide water service to residents within the District situated around the unincorporated area of Pixley, Tulare County, California. Since that time, the District has instituted a sewage collection and disposal system pursuant to Section 16491 of the PUC.

The District's basic financial statements include (1) the statement of net position, (2) the statement of activities and changes in net position, and (3) the statement of cash flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Operating revenues result from providing services to the general public. Charges to customers represent the District's principal operating revenues and include water and sewer charges.

Operating expenses include the cost of maintenance and support of providing water service, sewer collection, sewer treatment, and administrative expenses along with the depreciation on capital assets.

The statement of activities and changes in net position is reported using the accrual basis of accounting. Revenue is reported when earned and expenses are reported when incurred, regardless of when cash is received or paid. Revenues and expenses are categorized as either operating or non-operating based on definitions provided by the Governmental Accounting Standards Board (GASB).

Overview of the Basic Financial Statements

These basic financial statements consist of four major parts: General Information; Management's Discussion and Analysis (MD&A) (this section); the Basic Financial Statements, including accompanying Notes to the Basic Financial Statements; and Supplementary Information that explain some of the information in the basic financial statements and provide more detailed data.

The Basic Financial Statements include the following type of statements that present an overall view of the District:

- ◆ *District-Wide Financial Statements* report information about the District as a whole. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities and changes in net position. These two District-wide financial statements report the District's net position. Net position – the difference between the District's assets and liabilities – is one way to measure the District's health or financial position. The statement of activities and changes in net position is reported using the accrual basis of accounting. Revenues and expenses are categorized as either operating or non-operating based upon definitions provided by the GASB.

Condensed Financial Information

The District's financial operations remained solid during the fiscal year ended June 30, 2021. Revenues from water and sewer charges, taxes, and non-operating revenues were used to pay all operating expenses and debt service obligations.

Net Position – Net position, the difference between assets and liabilities, was \$11,493,579 and \$10,148,375 as of June 30, 2021 and 2020, respectively, as shown below:

| | June 30, 2021 | June 30, 2020 |
|----------------------------------|----------------------|----------------------|
| Assets | | |
| Current Assets | \$ 2,827,910 | \$ 1,426,597 |
| Noncurrent Assets | 8,750 | 8,750 |
| Capital Assets, Net | <u>13,815,707</u> | <u>10,817,815</u> |
| Total Assets | <u>16,652,367</u> | <u>12,253,162</u> |
| Liabilities | | |
| Current Liabilities | 1,668,382 | 219,481 |
| Long-Term Liabilities | <u>3,490,406</u> | <u>1,885,306</u> |
| Total Liabilities | <u>5,158,788</u> | <u>2,104,787</u> |
| Net Position | | |
| Net Investment in Capital Assets | 9,873,506 | 8,896,217 |
| Restricted, Capital Improvements | 455,737 | 424,136 |
| Unrestricted | <u>1,164,336</u> | <u>828,022</u> |
| Total Net Position | <u>\$ 11,493,579</u> | <u>\$ 10,148,375</u> |

Capital Assets, Net increased by \$2,997,892 due to additions, deletions, and current year depreciation. For detailed Capital Asset information, see note 3 to the basic financial statements which summarizes additions and deletions.

Assets – Current Assets were \$2,827,910 and \$1,426,597 as of June 30, 2021 and 2020, respectively, while noncurrent assets were \$13,815,707 and \$10,826,565 as of June 30, 2021 and 2020, respectively.

Other Liabilities – Current Liabilities were \$1,668,382 and \$219,481 as of June 30, 2021 and 2020, respectively.

Total Net Position was \$11,493,579 and \$10,148,375 as of June 30, 2021 and 2020, respectively. The District has restricted \$455,737 and \$424,136 of total net position for future capital improvement projects as of June 30, 2021 and 2020, respectively.

Changes in Net Position – Net position increased by \$1,345,204 and decreased by \$191,865 for the fiscal years ended June 30, 2021 and June 30, 2020, respectively, as shown below:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--------------------------|-----------------------------|-----------------------------|
| Total Operating Revenues | \$ 903,116 | \$ 955,939 |
| Total Operating Expenses | (1,304,376) | (1,142,401) |
| Non-Operating Revenues | 1,842,181 | 79,808 |
| Non-Operating Expenses | <u>(95,717)</u> | <u>(85,211)</u> |
| Change in Net Position | 1,345,204 | (191,865) |
| Beginning Net Position | <u>10,148,375</u> | <u>10,340,240</u> |
| Ending Net Position | <u><u>\$ 11,493,579</u></u> | <u><u>\$ 10,148,375</u></u> |

Analytical Review of Revenues – The District's principal source of operating revenue is from water sales and sewer fees, while the primary source of other revenues is from rental income and grant revenues from the United States Department of Agriculture (USDA) and the State of California.

Analytical Review of Expenses – The District's principal expenses are salaries, utility plant expenses, professional fees, and interest related charges to long-term debt.

Capital Assets and Debt Administration

Capital Assets – At June 30, 2021, the District had invested \$13,815,707 in capital assets, net of depreciation, an increase of \$2,997,892 from a total of \$10,817,815 as of June 30, 2020.

Long-Term Debt – At June 30, 2021, the District had \$3,490,406 in long-term debt outstanding, up \$1,605,100 from a total of \$1,885,306 as of June 30, 2020.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Pixley Public Utility District
P.O. Box 535
Pixley, California 93256

**PIXLEY PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE TOTALS)**

| | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 1,209,229 | \$ 1,334,453 |
| Accounts Receivable | 87,701 | 75,985 |
| Grants Receivable | 1,516,887 | - |
| Prepaid Expenses | 14,093 | 16,159 |
| Total Current Assets | <u>2,827,910</u> | <u>1,426,597</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Land | 1,105,094 | 1,070,817 |
| Buildings and Improvements | 9,521,184 | 7,653,510 |
| Sewer Treatment Plant | 74,631 | 49,904 |
| Wells, Pumps, and Pipelines | 2,895,724 | 2,499,492 |
| Equipment | 131,073 | 131,073 |
| Construction in Progress | 3,530,643 | 2,384,481 |
| Less Accumulated Depreciation | <u>(3,442,642)</u> | <u>(2,971,462)</u> |
| Total Capital Assets, Net of Depreciation | 13,815,707 | 10,817,815 |
| Other Assets | <u>8,750</u> | <u>8,750</u> |
| Total Noncurrent Assets | <u>13,824,457</u> | <u>10,826,565</u> |
| TOTAL ASSETS | <u><u>\$ 16,652,367</u></u> | <u><u>\$ 12,253,162</u></u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | \$ 1,062,924 | \$ 36,830 |
| Deposits from Customers | 127,493 | 125,342 |
| Interest Payable | 26,170 | 21,017 |
| Line of Credit | 382,905 | - |
| Current Portion of Long-Term Debt | <u>68,890</u> | <u>36,302</u> |
| Total Current Liabilities | <u>1,668,382</u> | <u>219,491</u> |
| Long-Term Liabilities | <u>3,490,406</u> | <u>1,885,296</u> |
| Total Noncurrent Assets | <u>3,490,406</u> | <u>1,885,296</u> |
| TOTAL LIABILITIES | <u><u>5,158,788</u></u> | <u><u>2,104,787</u></u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 9,873,506 | 8,896,217 |
| Restricted - Capital Improvements | 455,737 | 424,136 |
| Unrestricted | <u>1,164,336</u> | <u>828,022</u> |
| TOTAL NET POSITION | <u><u>11,493,579</u></u> | <u><u>10,148,375</u></u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 16,652,367</u></u> | <u><u>\$ 12,253,162</u></u> |

The accompanying notes are an integral part of these basic financial statements.

**PIXLEY PUBLIC UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS)**

| | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| OPERATING REVENUES | | |
| Water Charges | \$ 416,211 | \$ 392,981 |
| Sewer Charges | 454,394 | 450,354 |
| Other Water Fees | 22,436 | 56,037 |
| Other Sewer Fees | 10,075 | 56,567 |
| | <u>903,116</u> | <u>955,939</u> |
| Total Operating Revenues | <u>903,116</u> | <u>955,939</u> |
| OPERATING EXPENSES | | |
| Transmission and Distribution Expenses | 506,157 | 514,555 |
| Customer Accounting and Collection Expenses | 110,179 | 96,484 |
| General Expenses | 216,860 | 172,850 |
| Depreciation | 471,180 | 358,512 |
| | <u>1,304,376</u> | <u>1,142,401</u> |
| Total Operating Expenses | <u>1,304,376</u> | <u>1,142,401</u> |
| Operating Loss | <u>(401,260)</u> | <u>(186,462)</u> |
| NON-OPERATING REVENUE | | |
| Rental Income | 21,600 | 21,600 |
| Grant Income | 1,819,425 | - |
| Interest Income | 1,156 | 1,051 |
| Other Income | - | 57,157 |
| | <u>1,842,181</u> | <u>79,808</u> |
| Total Non-Operating Revenue | <u>1,842,181</u> | <u>79,808</u> |
| NON-OPERATING EXPENSES | | |
| Interest Expense | <u>(95,717)</u> | <u>(85,211)</u> |
| Total Non-Operating Expenses | <u>(95,717)</u> | <u>(85,211)</u> |
| Net Increase (Decrease) in Net Position | 1,345,204 | (191,865) |
| Net Position, Beginning of Year | <u>10,148,375</u> | <u>10,340,240</u> |
| Net Position, End of Year | <u><u>\$ 11,493,579</u></u> | <u><u>\$ 10,148,375</u></u> |

The accompanying notes are an integral part of these basic financial statements.

**PIXLEY PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS)**

| | 2021 | 2020 |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 893,553 | \$ 957,342 |
| Payments to Suppliers | 465,941 | (749,658) |
| Payments to Employees | (270,979) | (196,300) |
| Net Cash Provided by Operating Activities | <u>1,088,515</u> | <u>11,384</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital Expenditures | (3,469,072) | (137,155) |
| Proceeds from Debt Issuance | 1,704,000 | - |
| Payment on Long-Term Debt | (66,302) | (35,161) |
| Interest Expense | (90,564) | - |
| Proceeds from Line of Credit | 382,905 | - |
| Proceeds from Capital Grants | 302,538 | - |
| Net Cash Used by Capital and Related Financing Activities | <u>(1,236,495)</u> | <u>(172,316)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Rental Income | 21,600 | 78,757 |
| Interest on Investments | 1,156 | 1,051 |
| Net Cash Provided by Investing Activities | <u>22,756</u> | <u>79,808</u> |
| Net Decrease in Cash and Cash Equivalents | (125,224) | (81,124) |
| Cash and Cash Equivalents at Beginning of Year | <u>1,334,453</u> | <u>1,415,577</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 1,209,229</u></u> | <u><u>\$ 1,334,453</u></u> |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities: | | |
| Operating Loss | \$ (401,260) | \$ (186,462) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | | |
| Depreciation | 471,180 | 358,512 |
| (Increase) Decrease in: | | |
| Accounts Receivable | (11,716) | (2,982) |
| Prepaid Expenses | 2,066 | (4,387) |
| Increase (Decrease) in: | | |
| Accounts Payable | 1,026,094 | (72,471) |
| Deposits from Customers | 2,151 | 4,385 |
| Net Cash Provided by Operating Activities | <u><u>\$ 1,088,515</u></u> | <u><u>\$ 96,595</u></u> |

The accompanying notes are an integral part of these basic financial statements.

**PIXLEY PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pixley Public Utility District (the District) was organized on January 28, 1947, under the statutes of 1921, Chapter 560, as amended and incorporated in the Public Utilities Code (PUC), Section 15501 and following, codified in 1953. On July 1, 1961, the District took over the plan and system of the Pixley Mutual Water Company and assumed the responsibility for its continued operation. The District now provides both water and sewer facilities for its members.

Basis of Accounting and Presentation

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District is accounted for as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, and its basic financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The District adopted GASB Statement No. 34, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that those resources be classified for accounting and reporting purposes into three net position categories, namely, net investment in capital assets, restricted net position, and unrestricted net position.

The District also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and applied the standards on a retroactive basis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial disclosure requirements.

Capital Assets

Capital assets, which include land, buildings, sewer treatment plant, improvements, vehicles, equipment, and furniture, are defined as assets with an estimated useful life in excess of one year and cost in excess of \$2,500. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the appraised value at the time of donation.

Land is not depreciated. Other capital assets are depreciated using the straight-line method over the following useful lives:

| <u>Asset Type</u> | <u>Useful Life</u> |
|------------------------------------|--------------------|
| Buildings and grounds | 5 - 50 years |
| Improvements | 2 - 50 years |
| Mobile equipment | 3 - 30 years |
| Furniture, fixtures, and equipment | 3 - 50 years |

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets includes assets invested in capital assets that are reduced by the accumulated depreciation and the outstanding balances of any borrowing used for the acquisition or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. The remaining net position is unrestricted.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Classification of Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operational activities. Charges to customers represent the District's principal operating revenues and include water and sewer charges. Operating expenses include the cost of operating maintenance and support of providing water services and sewage collection and disposal services and related capital assets, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating or other revenues and expenses.

Cash and Cash Equivalents

Certain cash and cash equivalents are classified as restricted because their use is limited by applicable contracts or stipulations of the granting agency. Some of these restricted funds are required to be maintained in separate bank accounts. For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

All accounts receivable are deemed collectible by the District. As such, no allowances are required.

Property Tax Revenues

The District did not levy property taxes from 1967 to 1978, when Proposition 13 was passed. The District is now prohibited from receiving property taxes.

Governmental Accounting Standards Board Update

Recently released standards by GASB affecting future fiscal years are as follows:

GASB Statement No. 87 – Leases. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 87 on the basic financial statements.

GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The District has not fully judged the impact of implementation of GASB Statement No. 89 on the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Accounting Standards Board Update (Continued)

GASB Statement No. 91 – Conduit Debt Obligations. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 91 on the basic financial statements.

GASB Statement No. 92 – Omnibus 2020. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The objective of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The District has not fully judged the impact of implementation of GASB Statement No. 92 on the basic financial statements.

GASB Statement No. 93 – Replacement of Interbank Offered Rates. The requirements of this statement are effective for periods beginning after June 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 93 on the basic financial statements.

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this statement are effective for periods beginning after June 15, 2022. The District has not fully judged the impact of implementation of GASB Statement No. 94 on the basic financial statements.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. The requirements of this statement are effective for periods beginning after June 15, 2022. The District has not fully judged the impact of implementation of GASB Statement No. 96 on the basic financial statements.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The requirements of this statement are effective for periods beginning after June 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 97 on the basic financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2021, consisted of the following:

| | | |
|-----------------------------------|---------------------|---------------------|
| General Cash | | |
| Money Market – Suncrest Bank | \$ 249,294 | \$ 248,946 |
| Checking – Suncrest Bank | 498,123 | 654,514 |
| Capital Improvement Account | 455,737 | 424,136 |
| Petty Cash | 50 | 50 |
| Change Fund | 1,000 | 1,000 |
| Proposition 84 | 5,025 | 5,025 |
| | <hr/> | <hr/> |
| | 1,209,229 | 1,333,671 |
| State Compensation Insurance Fund | | |
| Deposit | - | 782 |
| | <hr/> | <hr/> |
| Total Cash and Cash Equivalents | <u>\$ 1,209,229</u> | <u>\$ 1,334,453</u> |

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

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 or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local 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.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments. \$1,403,132 and \$1,105,422 of the District's deposits with financial institutions were in excess of Federal Deposit Insurance Corporation limits and were not held in collateralized accounts as of June 30, 2021 and 2020, respectively.

NOTE 3 – LINE OF CREDIT

In November 2017, the District entered into a line of credit agreement with Rural Community Assistance Corporation for capital water system improvements expenditures. On November 1, 2020, the credit line was renewed through February 1, 2022. The District has available \$1,704,000 from the credit line, and the credit line bears interest at 5.25% per annum. As of June 30, 2021 and 2020, the balance on the line of credit was \$382,905 and \$0, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in District capital assets during the year ended June 30, 2021 was as follows:

| | Balances June 30, 2020 | Additions | Deletions and Transfers | Balances June 30, 2021 |
|--------------------------------|---------------------------|---------------------|----------------------------|---------------------------|
| Land | \$ 1,070,817 | \$ 34,277 | \$ - | \$ 1,105,094 |
| Buildings and Improvements | 7,653,510 | 1,867,674 | - | 9,521,184 |
| Sewer Treatment Plant | 49,904 | 24,727 | - | 74,631 |
| Wells, Pumps, and Pipelines | 2,499,492 | 396,232 | - | 2,895,724 |
| Equipment | 131,073 | - | - | 131,073 |
| Construction in Progress | 2,384,481 | 3,364,876 | (2,218,714) | 3,530,643 |
| Property and Equipment - Gross | 13,789,277 | 5,687,786 | (2,218,714) | 17,258,349 |
| Less: Accumulated Depreciation | (2,971,462) | (471,180) | - | (3,442,642) |
| Property and Equipment - Net | <u>\$ 10,817,815</u> | <u>\$ 5,216,606</u> | <u>\$ (2,218,714)</u> | <u>\$ 13,815,707</u> |

Depreciation expense for the fiscal year ended June 30, 2021, was \$471,180.

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

A summary of changes in District capital assets during the year ended June 30, 2020 was as follows:

| | Balances June 30, 2019 | Additions | Deletions and Transfers | Balances June 30, 2020 |
|--------------------------------|---------------------------|---------------------|----------------------------|---------------------------|
| Land | \$ 1,070,817 | \$ - | \$ - | \$ 1,070,817 |
| Buildings and Improvements | 7,653,510 | - | - | 7,653,510 |
| Sewer Treatment Plant | 49,904 | - | - | 49,904 |
| Wells, Pumps, and Pipelines | 2,436,285 | 63,207 | - | 2,499,492 |
| Equipment | 131,073 | - | - | 131,073 |
| Construction in Progress | 2,310,534 | 73,947 | - | 2,384,481 |
| Property and Equipment - Gross | 13,652,123 | 137,154 | - | 13,789,277 |
| Less: Accumulated Depreciation | (2,612,950) | (358,512) | - | (2,971,462) |
| Property and Equipment - Net | <u>\$ 11,039,173</u> | <u>\$ (221,358)</u> | <u>\$ -</u> | <u>\$ 10,817,815</u> |

Depreciation expense for the fiscal year ended June 30, 2020, was \$358,512.

Summary of Sewer and Water Systems

The District's capital assets were split between the Sewer and Water Systems as of June 30, 2021, as follows:

| | Water System | Sewer System | Total |
|--------------------------------|---------------------|---------------------|----------------------|
| Total Property and Equipment | \$ 6,949,233 | \$ 10,579,116 | \$ 17,528,349 |
| Less: Accumulated Depreciation | (1,456,947) | (1,985,695) | (3,442,642) |
| Property and Equipment - Net | <u>\$ 5,492,286</u> | <u>\$ 8,593,421</u> | <u>\$ 14,085,707</u> |

The District's capital assets were split between the Sewer and Water Systems as of June 30, 2020, as follows:

| | Water System | Sewer System | Total |
|--------------------------------|---------------------|---------------------|----------------------|
| Total Property and Equipment | \$ 6,023,257 | \$ 7,766,020 | \$ 13,789,277 |
| Less: Accumulated Depreciation | (1,157,356) | (1,814,106) | (2,971,462) |
| Property and Equipment - Net | <u>\$ 4,865,901</u> | <u>\$ 5,951,914</u> | <u>\$ 10,817,815</u> |

NOTE 5 – LONG-TERM DEBT

A summary of changes in District's long-term debt during the year ended June 30, 2021, was as follows:

| | Balance June 30, 2020 | Additional Debt | Debt Retirement | Balance June 30, 2021 | Due Within One Year |
|----------------|--------------------------|---------------------|--------------------|--------------------------|------------------------|
| USDA COP 2008A | \$ 1,359,179 | \$ - | \$ (25,677) | \$ 1,333,502 | \$ 26,800 |
| USDA COP 2008B | 562,419 | - | (10,625) | 551,794 | 11,090 |
| USDA COP 2020 | - | 1,704,000 | (30,000) | 1,674,000 | 31,000 |
| | <u>\$ 1,921,598</u> | <u>\$ 1,704,000</u> | <u>\$ (66,302)</u> | <u>\$ 3,559,296</u> | <u>\$ 68,890</u> |

A summary of changes in District's long-term debt during the year ended June 30, 2020, was as follows:

| | Balance June 30, 2019 | Additional Debt | Debt Retirement | Balance June 30, 2020 | Due Within One Year |
|----------------|--------------------------|--------------------|--------------------|--------------------------|------------------------|
| USDA COP 2008A | \$ 1,383,780 | \$ - | \$ (24,601) | \$ 1,359,179 | \$ 25,677 |
| USDA COP 2008B | 572,599 | - | (10,180) | 562,419 | 10,625 |
| | <u>\$ 1,956,379</u> | <u>\$ -</u> | <u>\$ (34,781)</u> | <u>\$ 1,921,598</u> | <u>\$ 36,302</u> |

USDA Rural Development Certificate of Participation #1 (COP – USDA 2008A)

During 2008, the District issued the United States Department of Agriculture (USDA) Rural Development Certificate of Participation (COP) #1 in the amount of \$1,595,000 with an interest rate of 4.375%. Proceeds were used to finance construction of wastewater treatment improvements. The certificate matures in 2048. Principal payments are made annually on April 1 while interest payments are made semiannually on April 1 and October 1. The payment of interest and principal is secured by a pledge of net revenues, as defined.

Future amortization of the principal of the debt outstanding as of June 30, 2021, was as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 26,800 | \$ 58,341 | \$ 85,141 |
| 2023 | 27,973 | 57,168 | 85,141 |
| 2024 | 29,197 | 55,944 | 85,141 |
| 2025 | 30,474 | 54,667 | 85,141 |
| 2026 | 31,807 | 53,334 | 85,141 |
| 2027-2031 | 181,168 | 244,537 | 425,705 |
| 2032-2036 | 224,421 | 201,284 | 425,705 |
| 2037-2041 | 278,000 | 147,704 | 425,704 |
| 2042-2046 | 344,373 | 81,333 | 425,706 |
| 2047-2048 | 159,289 | 10,518 | 169,807 |
| | <u>1,333,502</u> | <u>\$ 964,830</u> | <u>\$ 2,298,332</u> |
| Less Current Portion | <u>(26,800)</u> | | |
| Long-Term Portion | <u>\$ 1,306,702</u> | | |

NOTE 5 – LONG-TERM DEBT (Continued)**USDA Rural Development Certificate of Participation #2 (COP – USDA 2008B)**

During 2008, the District issued the USDA Rural Development Certificate of Participation (COP) #2 in the amount of \$660,000 with an interest rate of 4.375%. Proceeds were used to finance construction of wastewater treatment improvements. The certificate matures in 2048. Principal payments are made annually on April 1 while interest payments are made semiannually on April 1 and October 1. The payment of interest and principal is secured by a pledge of net revenues, as defined.

Future amortization of the principal of the debt outstanding as of June 30, 2021, was as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------|-------------------|-------------------|
| 2022 | \$ 11,090 | \$ 24,141 | \$ 35,231 |
| 2023 | 11,575 | 23,656 | 35,231 |
| 2024 | 12,081 | 23,149 | 35,230 |
| 2025 | 12,610 | 22,621 | 35,231 |
| 2026 | 13,162 | 22,069 | 35,231 |
| 2027-2031 | 74,966 | 101,188 | 176,154 |
| 2032-2036 | 92,864 | 83,290 | 176,154 |
| 2037-2041 | 115,035 | 61,119 | 176,154 |
| 2042-2046 | 142,499 | 33,655 | 176,154 |
| 2047-2048 | 65,912 | 4,352 | 70,264 |
| | <u>551,794</u> | <u>\$ 399,240</u> | <u>\$ 951,034</u> |
| Less Current Portion | <u>(11,090)</u> | | |
| Long-Term Portion | <u>\$ 540,704</u> | | |

USDA Rural Development Certificate of Participation #3 (COP – USDA 2020)

On July 15, 2020, the District issued the USDA Rural Development Certificate of Participation (COP) #3 in the amount of \$1,704,000 with an interest rate of 1.125%. Proceeds were used to finance construction of wastewater treatment improvements. The payment of interest and principal is secured by a pledge of net revenues, as defined. The certificate matures in 2060. Principal payments are made annually while interest payments are made semiannually.

NOTE 5 – LONG-TERM DEBT (Continued)**USDA Rural Development Certificate of Participation #3 (COP – USDA 2020)** (Continued)

Future amortization of the principal of the debt outstanding as of June 30, 2021, was as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 31,000 | \$ 18,457 | \$ 49,457 |
| 2023 | 31,000 | 17,743 | 48,743 |
| 2024 | 32,000 | 17,038 | 49,038 |
| 2025 | 32,000 | 16,334 | 48,334 |
| 2026 | 33,000 | 15,640 | 48,640 |
| 2027-2031 | 173,000 | 67,965 | 240,965 |
| 2032-2036 | 187,000 | 51,643 | 238,643 |
| 2037-2041 | 202,000 | 36,681 | 238,681 |
| 2042-2046 | 221,000 | 23,503 | 244,503 |
| 2047-2051 | 239,000 | 12,631 | 251,631 |
| 2052-2056 | 265,000 | 4,733 | 269,733 |
| 5057-2060 | 228,000 | 588 | 228,588 |
| | <u>1,674,000</u> | <u>\$ 282,956</u> | <u>\$ 1,956,956</u> |
| Less Current Portion | <u>(31,000)</u> | | |
| Long-Term Portion | <u>\$ 1,643,000</u> | | |

NOTE 6 – SUBSEQUENT EVENTS

On July 16, 2021, the District received payment in the amount of \$7,669,388 after deduction of attorney's fees and advanced case costs totaling \$3,830,612 for a \$11,500,000 settlement reached between the District and the Dow Chemical Company (Dow) regarding TCP contamination in groundwater supplies. More than 40 water suppliers in California have filed a suit against Shell and Dow seeking to recover the costs of treating or otherwise remediating TCP contamination. The funds received by the District will be directed toward water treatment and remediation.

Subsequent events have been evaluated through September 23, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF NET POSITION BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| | Water | Sewer | Total |
|---|---------------------|----------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 504,198 | \$ 705,031 | \$ 1,209,229 |
| Accounts Receivable | | | |
| Utilities | 26,310 | 61,391 | 87,701 |
| Grants | - | 1,516,887 | 1,516,887 |
| Prepaid Expenses | 7,047 | 7,046 | 14,093 |
| Capital Assets | | | |
| Land | 655,461 | 449,633 | 1,105,094 |
| Buildings and Improvements | 3,695,213 | 5,825,971 | 9,521,184 |
| Sewer Treatment Plant | - | 74,631 | 74,631 |
| Wells, Pumps, and Pipelines | 2,262,189 | 633,535 | 2,895,724 |
| Equipment | 66,370 | 64,703 | 131,073 |
| Construction in Progress | - | 3,530,643 | 3,530,643 |
| Less Accumulated Depreciation | (1,456,947) | (1,985,695) | (3,442,642) |
| Total Capital Assets, Net of Depreciation | 5,222,286 | 8,593,421 | 13,815,707 |
| Other Assets | 4,375 | 4,375 | 8,750 |
| Total Assets | \$ 5,764,216 | \$ 10,888,151 | \$ 16,652,367 |
| LIABILITIES AND NET POSITION | | | |
| Liabilities | | | |
| Accounts Payable | \$ 531,462 | \$ 531,462 | \$ 1,062,924 |
| Deposits from Customers | 127,493 | - | 127,493 |
| Interest Payable | - | 26,170 | 26,170 |
| Line of Credit | - | 382,905 | 382,905 |
| Current Portion of Long-Term Debt | - | 68,890 | 68,890 |
| Long-Term Debt | - | 3,490,406 | 3,490,406 |
| Total Liabilities | 658,955 | 4,499,833 | 5,158,788 |
| Net Position | | | |
| Net Investment in Capital Assets | 5,222,286 | 4,651,220 | 9,873,506 |
| Net Position - Restricted, Capital Improvements | - | 455,737 | 455,737 |
| Net Position - Unrestricted | (117,025) | 1,281,361 | 1,164,336 |
| Total Net Position | 5,105,261 | 6,388,318 | 11,493,579 |
| Total Liabilities and Net Position | \$ 5,764,216 | \$ 10,888,151 | \$ 16,652,367 |

**PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF ACTIVITIES
AND CHANGES IN NET POSITION BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| | Water | Sewer | Total |
|---|--------------|--------------|---------------|
| OPERATING REVENUES | | | |
| Water - Metered | \$ 416,211 | \$ - | \$ 416,211 |
| Sewer Charges | - | 454,394 | 454,394 |
| Other and Connection Fees | 22,436 | 10,075 | 32,511 |
| Total Operating Revenues | 438,647 | 464,469 | 903,116 |
| OPERATING EXPENSES | | | |
| Transmission and Distribution Expenses | 282,788 | 223,369 | 506,157 |
| Customer Accounting and Collection Expenses | 51,276 | 58,903 | 110,179 |
| General Expenses | 116,760 | 100,100 | 216,860 |
| Depreciation | 300,662 | 170,518 | 471,180 |
| Total Operating Expenses | 751,486 | 552,890 | 1,304,376 |
| Operating Loss | (312,839) | (88,421) | (401,260) |
| NON-OPERATING REVENUE (EXPENSES) | | | |
| Rental Income | 10,800 | 10,800 | 21,600 |
| Grant Income | - | 1,819,425 | 1,819,425 |
| Interest Income | 578 | 578 | 1,156 |
| Interest Expense | (12,044) | (83,673) | (95,717) |
| Total Non-Operating Revenue (Expenses) | (666) | 1,747,130 | 1,746,464 |
| Net Increase (Decrease) in Net Position | (313,505) | 1,658,709 | 1,345,204 |
| Net Position, Beginning of Year | 5,418,766 | 4,729,609 | 10,148,375 |
| Net Position, Ending of Year | \$ 5,105,261 | \$ 6,388,318 | \$ 11,493,579 |

**PIXLEY PUBLIC UTILITY DISTRICT
STATEMENT OF OPERATING EXPENSES BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| | Water | Sewer | Total |
|--|-------------------|-------------------|-------------------|
| Transmission and Distribution Expenses | | | |
| Labor | \$ 84,324 | \$ 84,325 | \$ 168,649 |
| Payroll Taxes | 6,688 | 6,688 | 13,376 |
| Repairs to Equipment and System | 51,983 | 36,044 | 88,027 |
| Utilities | 102,133 | 32,911 | 135,044 |
| Tools and Shop Supplies | 14,466 | 14,725 | 29,191 |
| Insurance | 2,937 | 3,328 | 6,265 |
| California Water Fees | 8,293 | 33,870 | 42,163 |
| Auto Maintenance | 3,194 | 3,194 | 6,388 |
| Water and Sewer Testing | 8,079 | 8,284 | 16,363 |
| Miscellaneous | 691 | - | 691 |
| Total Transmission and Distribution Expenses | \$ 282,788 | \$ 223,369 | \$ 506,157 |
| Customer Accounting and Collection Expenses | | | |
| Clerks | \$ 37,490 | \$ 37,490 | \$ 74,980 |
| Postage | 3,242 | 3,253 | 6,495 |
| Office Supplies | 7,163 | 14,792 | 21,955 |
| Payroll Taxes | 3,134 | 3,133 | 6,267 |
| Insurance | 200 | 201 | 401 |
| Other Expenses | 13 | - | 13 |
| Bank Service Charges | 34 | 34 | 68 |
| Total Customer Accounting and Collection Expenses | \$ 51,276 | \$ 58,903 | \$ 110,179 |
| General Expenses | | | |
| Salaries and Wages | \$ 6,571 | \$ 6,571 | \$ 13,142 |
| Employee Benefits | 7,104 | 7,104 | 14,208 |
| Telephone Expense | 6,584 | 5,878 | 12,462 |
| Fuel/Mileage | 3,397 | 3,415 | 6,812 |
| Advertising and Publication | 1,192 | 1,130 | 2,322 |
| Utilities | 1,577 | 1,576 | 3,153 |
| Building and Ground Maintenance | 2,445 | 2,446 | 4,891 |
| Accounting | 9,598 | 9,597 | 19,195 |
| Engineering | 35,260 | 35,411 | 70,671 |
| Legal | 10,829 | 10,829 | 21,658 |
| Licenses/Permits | 1,049 | 2,705 | 3,754 |
| Insurance | 10,701 | 10,700 | 21,401 |
| Irrigation Taxes | 906 | 906 | 1,812 |
| Miscellaneous | 19,547 | 1,832 | 21,379 |
| Total General Expenses | \$ 116,760 | \$ 100,100 | \$ 216,860 |

**PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF NET POSITION BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|----------------------------|----------------------------|-----------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 661,371 | \$ 673,082 | \$ 1,334,453 |
| Accounts Receivable | | | |
| Utilities | 22,796 | 53,190 | 75,986 |
| Prepaid Expenses | 8,080 | 8,079 | 16,159 |
| Capital Assets | | | |
| Land | 621,185 | 449,632 | 1,070,817 |
| Buildings and Improvements | 2,221,689 | 5,431,821 | 7,653,510 |
| Sewer Treatment Plant | - | 49,904 | 49,904 |
| Wells, Pumps, and Pipelines | 1,881,576 | 617,916 | 2,499,492 |
| Equipment | 66,370 | 64,703 | 131,073 |
| Construction in Progress | 1,232,437 | 1,152,044 | 2,384,481 |
| Less Accumulated Depreciation | <u>(1,157,356)</u> | <u>(1,814,106)</u> | <u>(2,971,462)</u> |
| Total Capital Assets, Net of Depreciation | 4,865,901 | 5,951,914 | 10,817,815 |
| Other Assets | <u>4,375</u> | <u>4,375</u> | <u>8,750</u> |
| Total Assets | <u><u>\$ 5,562,523</u></u> | <u><u>\$ 6,690,640</u></u> | <u><u>\$ 12,253,163</u></u> |
| LIABILITIES AND NET POSITION | | | |
| Liabilities | | | |
| Accounts Payable | \$ 18,415 | \$ 18,415 | \$ 36,830 |
| Deposits from Customers | 125,342 | - | 125,342 |
| Interest Payable | - | 21,017 | 21,017 |
| Current Portion of Long-Term Debt | - | 36,302 | 36,302 |
| Long-Term Debt | <u>-</u> | <u>1,885,296</u> | <u>1,885,296</u> |
| Total Liabilities | <u>143,757</u> | <u>1,961,030</u> | <u>2,104,787</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 4,865,901 | 4,030,316 | 8,896,217 |
| Net Position - Restricted, Capital Improvements | - | 424,136 | 424,136 |
| Net Position - Unrestricted | <u>552,865</u> | <u>275,158</u> | <u>828,023</u> |
| Total Net Position | <u>5,418,766</u> | <u>4,729,610</u> | <u>10,148,376</u> |
| Total Liabilities and Net Position | <u><u>\$ 5,562,523</u></u> | <u><u>\$ 6,690,640</u></u> | <u><u>\$ 12,253,163</u></u> |

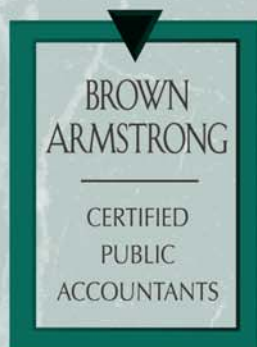
**PIXLEY PUBLIC UTILITY DISTRICT
COMBINING STATEMENT OF ACTIVITIES
AND CHANGES IN NET POSITION BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | Water | Sewer | Total |
|---|--------------|--------------|---------------|
| OPERATING REVENUES | | | |
| Water - Metered | \$ 392,981 | \$ - | \$ 392,981 |
| Sewer Charges | - | 450,354 | 450,354 |
| Other and Connection Fees | 56,037 | 56,567 | 112,604 |
| Total Operating Revenues | 449,018 | 506,921 | 955,939 |
| OPERATING EXPENSES | | | |
| Transmission and Distribution Expenses | 232,671 | 281,884 | 514,555 |
| Customer Accounting and Collection Expenses | 48,205 | 48,278 | 96,483 |
| General Expenses | 91,478 | 166,583 | 258,061 |
| Depreciation | 187,496 | 171,016 | 358,512 |
| Total Operating Expenses | 559,850 | 667,761 | 1,227,611 |
| Operating Loss | (110,832) | (160,840) | (271,672) |
| NON-OPERATING REVENUE (EXPENSES) | | | |
| Interest | 526 | 525 | 1,051 |
| Grants | (263) | - | (263) |
| Other Non-Operating Income | 39,558 | 10,800 | 50,358 |
| Tait Property Reimbursements | 14,331 | 14,331 | 28,662 |
| Total Non-Operating Revenue (Expenses) | 54,152 | 25,656 | 79,808 |
| Net Decrease in Net Position | (56,680) | (135,184) | (191,864) |
| Net Position, Beginning of Year | 5,475,446 | 4,864,794 | 10,340,240 |
| Net Position, Ending of Year | \$ 5,418,766 | \$ 4,729,610 | \$ 10,148,376 |

**PIXLEY PUBLIC UTILITY DISTRICT
STATEMENT OF OPERATING EXPENSES BY ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | Water | Sewer | Total |
|--|-------------------|-------------------|-------------------|
| Transmission and Distribution Expenses | | | |
| Labor | \$ 61,572 | \$ 61,571 | \$ 123,143 |
| Payroll Taxes | 4,710 | 4,710 | 9,420 |
| Repairs to Equipment and System | 39,896 | 122,682 | 162,578 |
| Utilities | 93,229 | 31,614 | 124,843 |
| Tools and Shop Supplies | 14,551 | 14,113 | 28,664 |
| Insurance | 3,741 | 3,741 | 7,482 |
| California Water Fees | 5,779 | 33,842 | 39,621 |
| Auto Maintenance | 1,061 | 1,060 | 2,121 |
| Water and Sewer Testing | 8,132 | 8,551 | 16,683 |
| Total Transmission and Distribution Expenses | \$ 232,671 | \$ 281,884 | \$ 514,555 |
| Customer Accounting and Collection Expenses | | | |
| Clerks | \$ 36,579 | \$ 36,578 | \$ 73,157 |
| Postage | 3,406 | 3,414 | 6,820 |
| Office Supplies | 5,227 | 5,294 | 10,521 |
| Payroll Taxes | 2,798 | 2,798 | 5,596 |
| Insurance | 191 | 190 | 381 |
| Other Expenses | 4 | 4 | 8 |
| Total Customer Accounting and Collection Expenses | \$ 48,205 | \$ 48,278 | \$ 96,483 |
| General Expenses | | | |
| Bank Charge Expense | \$ 4 | \$ 5 | \$ 9 |
| Telephone Expense | 9,365 | 7,244 | 16,609 |
| Fuel/Mileage | 2,562 | 2,686 | 5,248 |
| Advertising and Publication | 601 | 551 | 1,152 |
| Utilities | 1,523 | 1,523 | 3,046 |
| Building and Ground Maintenance | 16,475 | 11,986 | 28,461 |
| Accounting | 8,280 | 8,280 | 16,560 |
| Engineering | 30,716 | 31,172 | 61,888 |
| Legal | 9,380 | 9,379 | 18,759 |
| Licenses/Permits | 728 | 876 | 1,604 |
| Insurance | 5,886 | 5,886 | 11,772 |
| Interest | - | 85,211 | 85,211 |
| Irrigation Taxes | 230 | 230 | 460 |
| Other | 5,728 | 1,554 | 7,282 |
| Total General Expenses | \$ 91,478 | \$ 166,583 | \$ 258,061 |

OTHER INFORMATION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

Board of Directors
Pixley Public Utility District
Pixley, California

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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 basic financial statements of the Pixley Public Utility District (the District), as of and for the fiscal year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's basic 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of current year audit findings and responses, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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*.

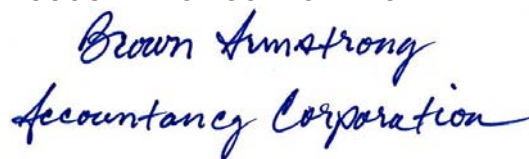
The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of current year audit findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
September 23, 2021

**PIXLEY PUBLIC UTILITY DISTRICT
SCHEDULE OF CURRENT YEAR AUDIT FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

2021-01: Revenue Recognition

During our review of revenues and receivables, we noted that the Pixley Public Utility District (the District) did not record revenues and receivables related to the United States Department of Agriculture (USDA) Grant funds earned during the fiscal year. This resulted in an understatement of revenues in the amount of \$1,819,425 and of receivables in the amount of \$1,516,887.

Criteria

Revenues should be recorded in the period in which they are realized and earned. Amounts that are not received by year-end should be accrued as receivables.

Recommendation

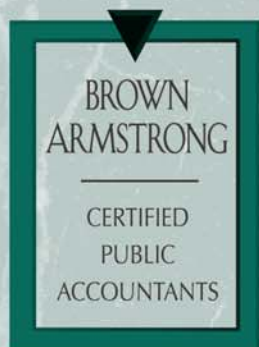
We recommend that the District record revenues and receivables related to grant reimbursement requests in the correct period.

Management Response

Moving forward, the District will ensure that revenues and receivables related to grant reimbursements are recorded in the correct period.

**PIXLEY PUBLIC UTILITY DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

None.



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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Pixley Public Utility District
Pixley, California

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Report on Compliance for Each Major Federal Program

We have audited Pixley Public Utility District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

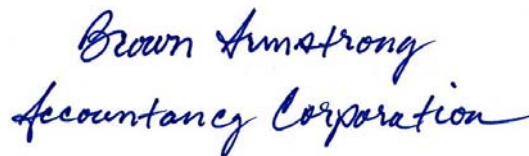
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong" on the first line and "Accountancy Corporation" on the second line.

Bakersfield, California
September 23, 2021

**PIXLEY PUBLIC UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Federal Expenditures</u> |
|--|--|---------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | \$ 1,017,725 |
| Water and Waste Disposal Systems for Rural Communities (Loan) | 10.760 | <u>1,704,000</u> |
| Total U.S. Department of Agriculture | | <u>2,721,725</u> |
| | | <u>\$ 2,721,725</u> |

See accompanying notes to the schedule of expenditures of federal awards.

PIXLEY PUBLIC UTILITY DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pixley Public Utility District (the District) and is presented on the accrual basis of accounting. The federal information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) and the Uniform Guidance.

NOTE 2 – FEDERAL DE MINIMIS INDIRECT RATE

The District has elected not to use the 10% de minimis indirect cost rate, as the District has no indirect costs.

NOTE 3 – FEDERAL LOANS

The District was approved by the United States Department of Agriculture (USDA) to receive a loan in the amount of \$1,704,000 on a reimbursement basis for the purpose of funding the Water and Waste Disposal Systems project. The amount reported on the Schedule of Expenditures of Federal Awards includes the proceeds used during the fiscal year. The balance owed at the end of the fiscal year is \$1,674,000.

Federally-funded loans outstanding, including federally-funded loans expended in prior years, had balances as follows as of June 30, 2021:

| Federal Assistance Listing Number | Program Title | July 1, 2020 | New Loans | Loan Payments | Forgiven | June 30, 2021 |
|---|--|--------------|--------------|---------------|----------|---------------|
| 10.760 | Water and Waste Disposal Systems for Rural Communities (COP 2020) | \$ - | \$ 1,704,000 | \$ (30,000) | \$ - | \$ 1,674,000 |
| 10.760 | Water and Waste Disposal Systems for Rural Communities (COP 2008A) | 1,359,179 | - | (25,677) | - | 1,333,502 |
| 10.760 | Water and Waste Disposal Systems for Rural Communities (COP 2008B) | 562,419 | - | (10,625) | - | 551,794 |

FINDINGS AND QUESTIONED COSTS SECTION

**PIXLEY PUBLIC UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major programs:

Assistance Listing # 10.760 Waste Water and Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

2. Current Year Findings and Questioned Costs

None.

3. Status of Prior Year Findings and Questioned Costs

None.