

**PIXLEY PUBLIC UTILITY DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND**  
**ADDITIONAL INFORMATION**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2023**

**PIXLEY PUBLIC UTILITY DISTRICT  
JUNE 30, 2023**

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## **GENERAL INFORMATION**

**PIXLEY PUBLIC UTILITY DISTRICT  
BOARD MEMBERS  
JUNE 30, 2023**

BOARD MEMBERS

Ronnie Prine (President)  
David G. Terrel Jr. (Vice President)  
Matthew Martinez  
Ramon Cisneros

Term expires November 2026  
Term expires November 2024  
Term expires November 2024  
Term expires November 2026

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pixley Public Utility District  
Pixley, California

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying basic financial statements of Pixley Public Utility District (the District), as of and for the year ended June 30, 2023, and the related notes to the 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 2022 basic financial statements and, in our report dated October 3, 2022, we expressed an unmodified opinion on the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2023, and 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.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's 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 auditor's 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 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.

## **Supplementary Information**

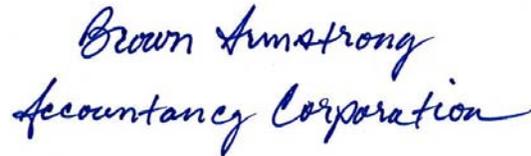
Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations*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

directly to the underlying accounting and other records used to prepare the basic financial statements. 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 the schedule of expenditures of federal awards is 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 October 5, 2023 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
October 5, 2023

**PIXLEY PUBLIC UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023  
(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, 2023. 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, 2023. 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 \$20,779,862 and \$19,414,841 as of June 30, 2023 and 2022, respectively, as shown below:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>Assets</b>		
Current Assets	\$ 8,471,834	\$ 9,755,382
Noncurrent Assets	8,750	8,750
Capital Assets, Net	<u>16,017,808</u>	<u>14,455,470</u>
Total Assets	<u>24,498,392</u>	<u>24,219,602</u>
<b>Liabilities</b>		
Current Liabilities	371,950	1,384,903
Long-Term Liabilities	<u>3,346,580</u>	<u>3,419,858</u>
Total Liabilities	<u>3,718,530</u>	<u>4,804,761</u>
<b>Net Position</b>		
Net Investment in Capital Assets	12,595,373	9,871,812
Restricted, Capital Improvements	287,549	490,888
Unrestricted	<u>7,896,940</u>	<u>9,052,141</u>
Total Net Position	<u>\$ 20,779,862</u>	<u>\$ 19,414,841</u>

*Capital Assets, Net* increased by \$1,562,338 due to additions, deletions, and current year depreciation. For detailed Capital Asset information, see Note 4 to the basic financial statements which summarizes additions and deletions.

*Assets* – Current Assets were \$8,471,834 and \$9,755,382 as of June 30, 2023 and 2022, respectively, while noncurrent assets were \$8,750 and \$8,750 as of June 30, 2023 and 2022, respectively.

*Current Liabilities* – Current Liabilities were \$371,950 and \$1,384,903 as of June 30, 2023 and 2022, respectively.

*Total Net Position* was \$20,779,862 and \$19,414,841 as of June 30, 2023 and 2022, respectively. The District has restricted \$287,549 and \$490,888 of total net position for future capital improvement projects as of June 30, 2023 and 2022, respectively.

**Changes in Net Position** – Net position increased by \$1,365,021 and \$7,628,846 for the fiscal years ended June 30, 2023 and 2022, respectively, as shown below:

	<u>June 30, 2023</u>	<u>Restated June 30, 2022</u>
Total Operating Revenues	\$ 964,969	\$ 1,109,904
Total Operating Expenses	(1,601,720)	(1,615,027)
Non-Operating Revenues	2,160,552	8,569,200
Non-Operating Expenses	<u>(158,780)</u>	<u>(142,815)</u>
Change in Net Position	1,365,021	7,921,262
Beginning Net Position	<u>19,414,841</u>	<u>11,493,579</u>
Ending Net Position, as Restated	<u><u>\$ 20,779,862</u></u>	<u><u>\$ 19,414,841</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, 2023, the District had invested \$16,017,808 in capital assets, net of depreciation, an increase of \$1,562,338 from a total of \$14,455,470 as of June 30, 2022.

**Long-Term Debt** – At June 30, 2023, the District had \$3,346,580 in long-term debt outstanding, down \$73,278 from a total of \$3,419,858 as of June 30, 2022.

### **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, 2023**  
**(WITH COMPARATIVE TOTALS)**

	<u>2023</u>	<u>Restated 2022</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 8,363,679	\$ 8,560,651
Accounts Receivable	89,174	86,676
Grants Receivable	-	1,090,752
Prepaid Expenses	18,981	17,303
Total Current Assets	<u>8,471,834</u>	<u>9,755,382</u>
Noncurrent Assets		
Capital Assets		
Land	1,105,094	1,105,094
Buildings and Improvements	9,521,184	9,521,184
Sewer Treatment Plant	74,631	74,631
Wells, Pumps, and Pipelines	4,716,610	3,095,359
Equipment	109,741	109,741
Construction in Progress	4,928,075	4,455,202
Less Accumulated Depreciation	<u>(4,437,527)</u>	<u>(3,905,741)</u>
Total Capital Assets, Net of Depreciation	16,017,808	14,455,470
Other Assets	<u>8,750</u>	<u>8,750</u>
Total Noncurrent Assets	<u>16,026,558</u>	<u>14,464,220</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 24,498,392</u></u>	<u><u>\$ 24,219,602</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 141,029	\$ 64,904
Deposits from Customers	130,759	131,372
Interest Payable	24,307	24,827
Line of Credit	2,577	1,093,252
Current Portion of Long-Term Debt	<u>73,278</u>	<u>70,548</u>
Total Current Liabilities	<u>371,950</u>	<u>1,384,903</u>
Long-Term Liabilities	<u>3,346,580</u>	<u>3,419,858</u>
Total Noncurrent Assets	<u>3,346,580</u>	<u>3,419,858</u>
<b>TOTAL LIABILITIES</b>	<u><u>3,718,530</u></u>	<u><u>4,804,761</u></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	12,595,373	9,871,812
Restricted - Capital Improvements	287,549	490,888
Unrestricted	<u>7,896,940</u>	<u>9,052,141</u>
<b>TOTAL NET POSITION</b>	<u><u>20,779,862</u></u>	<u><u>19,414,841</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 24,498,392</u></u>	<u><u>\$ 24,219,602</u></u>

**PIXLEY PUBLIC UTILITY DISTRICT  
STATEMENT OF ACTIVITIES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
(WITH COMPARATIVE TOTALS)**

	2023	Restated 2022
<b>OPERATING REVENUES</b>		
Water Charges	\$ 435,188	\$ 426,714
Sewer Charges	466,548	458,762
Other Water Fees	33,304	111,800
Other Sewer Fees	29,929	112,628
Total Operating Revenues	964,969	1,109,904
<b>OPERATING EXPENSES</b>		
Transmission and Distribution Expenses	672,415	691,767
Customer Accounting and Collection Expenses	120,187	105,015
General Expenses	266,573	333,814
Depreciation	542,545	484,431
Total Operating Expenses	1,601,720	1,615,027
Operating Loss	(636,751)	(505,123)
<b>NON-OPERATING REVENUE</b>		
Rental Income	21,600	21,600
Grant Income	2,084,367	869,808
Interest Income	8,165	7,554
Other Income, Net	46,420	7,670,238
Total Non-Operating Revenue	2,160,552	8,569,200
<b>NON-OPERATING EXPENSES</b>		
Interest Expense	(158,780)	(142,815)
Total Non-Operating Expenses	(158,780)	(142,815)
Net Increase in Net Position	1,365,021	7,921,262
Net Position, Beginning of Year	19,414,841	11,493,579
Net Position, End of Year as Restated	\$ 20,779,862	\$ 19,414,841

**PIXLEY PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
(WITH COMPARATIVE TOTALS)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 961,858	\$ 1,114,810
Payments to Suppliers	(677,771)	(1,854,428)
Payments to Employees	(306,957)	(277,400)
	(22,870)	(1,017,018)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other Income	46,420	7,670,238
	46,420	7,670,238
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures	(2,104,883)	(1,124,194)
Payment on Long-Term Debt	(70,548)	(68,890)
Interest Expense	(159,300)	(144,158)
Proceeds from Line of Credit	(1,090,675)	710,347
Proceeds from Capital Grants	3,175,119	1,295,943
	(250,287)	669,048
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental Income	21,600	21,600
Interest on Investments	8,165	7,554
	29,765	29,154
Net (Decrease) Increase in Cash and Cash Equivalents	(196,972)	7,351,422
Cash and Cash Equivalents at Beginning of Year	8,560,651	1,209,229
Cash and Cash Equivalents at End of Year	\$ 8,363,679	\$ 8,560,651
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (636,751)	\$ (505,123)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	542,545	484,431
(Increase) Decrease in:		
Accounts Receivable	(2,498)	1,025
Prepaid Expenses	(1,678)	(3,210)
Increase (Decrease) in:		
Accounts Payable	76,125	(998,020)
Deposits from Customers	(613)	3,879
	(22,870)	(1,017,018)
Net Cash Used by Operating Activities	\$ (22,870)	\$ (1,017,018)

**PIXLEY PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2023  
 (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

The District adopted the following GASB Statements during the current year:

**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 implemented this statement in the current year but has determined that it does not currently affect the District's financial statements.

**GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.** The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The District has implemented this statement in the current year but has determined that it does not currently affect the District's financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Governmental Accounting Standards Board Update (Continued)

GASB Statements affecting future years are as follows:

**GASB Statement No. 99 – *Omnibus 2022*.** The requirements of this statement relating to leases, Paycheck Protection Program (PPP) loans, and Subscription-Based Technology Arrangements (SBITAs) are effective for reporting periods beginning after June 15, 2022. The requirements relating to financial guarantees and the classification and reporting of derivative instruments are effective for fiscal years beginning after June 15, 2023. The District has not fully judged the impact of implementation of GASB Statement No. 99 on the basic financial statements.

**GASB Statement No. 100 – *Accounting Changes and Error Corrections*.** The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The District has not fully judged the impact of implementation of GASB Statement No. 100 on the basic financial statements.

**GASB Statement No. 101 – *Compensated Absences*.** The requirements of this statement are effective for reporting periods beginning after December 31, 2023. The District has not fully judged the impact of implementation of GASB Statement No. 101 on the basic financial statements.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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

	<u>2023</u>	<u>2022</u>
General Cash		
Money Market – Suncrest Bank	\$ 7,650,766	\$ 7,760,393
Checking – Suncrest Bank	419,289	303,295
Capital Improvement Account	287,549	490,888
Petty Cash	50	50
Change Fund	1,000	1,000
Proposition 84	5,025	5,025
	<u>                    </u>	<u>                    </u>
Total Cash and Cash Equivalents	<u>\$ 8,363,679</u>	<u>\$ 8,560,651</u>

**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. \$8,120,439 and \$8,318,594 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, 2023 and 2022, 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 February 22, 2023, the credit line was renewed through February 1, 2024. The District has an available balance of \$1,704,000 from the credit line, and the credit line bears interest at 5% per annum. As of June 30, 2023 and 2022, the balance on the line of credit was \$2,577 and \$1,093,252, respectively.

### **NOTE 4 – PROPERTY AND EQUIPMENT**

A summary of changes in District capital assets during the year ended June 30, 2023, was as follows:

	<u>Balances June 30, 2022</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Balances June 30, 2023</u>
Land	\$ 1,105,094	\$ -	\$ -	\$ 1,105,094
Buildings and Improvements	9,521,184	-	-	9,521,184
Sewer Treatment Plant	74,631	-	-	74,631
Wells, Pumps, and Pipelines	3,095,359	1,638,258	(15,867)	4,717,750
Equipment	109,741	-	-	109,741
Construction in Progress	<u>4,455,202</u>	<u>2,085,381</u>	<u>(1,613,648)</u>	<u>4,926,935</u>
Property and Equipment - Gross	<u>18,361,211</u>	<u>3,723,639</u>	<u>(1,629,515)</u>	<u>20,455,335</u>
Less: Accumulated Depreciation	<u>(3,905,741)</u>	<u>(542,545)</u>	<u>10,759</u>	<u>(4,437,527)</u>
Property and Equipment - Net	<u>\$ 14,455,470</u>	<u>\$ 3,181,094</u>	<u>\$ (1,618,756)</u>	<u>\$ 16,017,808</u>

Depreciation expense for the fiscal year ended June 30, 2023, was \$542,545.

A summary of changes in District capital assets during the year ended June 30, 2022, was as follows:

	<u>Balances June 30, 2021</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Balances June 30, 2022</u>
Land	\$ 1,105,094	\$ -	\$ -	\$ 1,105,094
Buildings and Improvements	9,521,184	-	-	9,521,184
Sewer Treatment Plant	74,631	-	-	74,631
Wells, Pumps, and Pipelines	2,895,724	199,635	-	3,095,359
Equipment	131,073	-	(21,332)	109,741
Construction in Progress	<u>3,530,643</u>	<u>924,559</u>	<u>-</u>	<u>4,455,202</u>
Property and Equipment - Gross	<u>17,258,349</u>	<u>1,124,194</u>	<u>(21,332)</u>	<u>18,361,211</u>
Less: Accumulated Depreciation	<u>(3,442,642)</u>	<u>(484,431)</u>	<u>21,332</u>	<u>(3,905,741)</u>
Property and Equipment - Net	<u>\$ 13,815,707</u>	<u>\$ 639,763</u>	<u>\$ -</u>	<u>\$ 14,455,470</u>

Depreciation expense for the fiscal year ended June 30, 2022, was \$484,431.

**NOTE 4 – PROPERTY AND EQUIPMENT** (Continued)**Summary of Sewer and Water Systems**

The District's capital assets were split between the Sewer and Water Systems as of June 30, 2023, as follows:

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Total Property and Equipment	\$ 13,671,883	\$ 6,783,452	\$ 20,455,335
Less: Accumulated Depreciation	<u>(2,118,372)</u>	<u>(2,319,155)</u>	<u>(4,437,527)</u>
Property and Equipment - Net	<u>\$ 11,553,511</u>	<u>\$ 4,464,297</u>	<u>\$ 16,017,808</u>

The District's capital assets were split between the Sewer and Water Systems as of June 30, 2022, as follows:

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Total Property and Equipment	\$ 11,648,787	\$ 6,712,424	\$ 18,361,211
Less: Accumulated Depreciation	<u>(2,151,065)</u>	<u>(1,754,676)</u>	<u>(3,905,741)</u>
Property and Equipment - Net	<u>\$ 9,497,722</u>	<u>\$ 4,957,748</u>	<u>\$ 14,455,470</u>

**NOTE 5 – LONG-TERM DEBT**

A summary of changes in District's long-term debt during the year ended June 30, 2023, was as follows:

	<u>Balance June 30, 2022</u>	<u>Additional Debt</u>	<u>Debt Retirement</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
USDA COP 2008A	\$ 1,306,702	\$ -	\$ (27,973)	\$ 1,278,729	\$ 29,197
USDA COP 2008B	540,704	-	(11,575)	529,129	12,081
USDA COP 2021	<u>1,643,000</u>	<u>-</u>	<u>(31,000)</u>	<u>1,612,000</u>	<u>32,000</u>
	<u>\$ 3,490,406</u>	<u>\$ -</u>	<u>\$ (70,548)</u>	<u>\$ 3,419,858</u>	<u>\$ 73,278</u>

A summary of changes in District's long-term debt during the year ended June 30, 2022, was as follows:

	<u>Balance June 30, 2021</u>	<u>Additional Debt</u>	<u>Debt Retirement</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
USDA COP 2008A	\$ 1,333,502	\$ -	\$ (26,800)	\$ 1,306,702	\$ 27,973
USDA COP 2008B	551,794	-	(11,090)	540,704	11,575
USDA COP 2021	<u>1,674,000</u>	<u>-</u>	<u>(31,000)</u>	<u>1,643,000</u>	<u>31,000</u>
	<u>\$ 3,559,296</u>	<u>\$ -</u>	<u>\$ (68,890)</u>	<u>\$ 3,490,406</u>	<u>\$ 70,548</u>

**NOTE 5 – LONG-TERM DEBT** (Continued)**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, 2023, was as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 29,197	\$ 55,944	\$ 85,141
2025	30,474	54,667	85,141
2026	31,807	53,334	85,141
2027	33,199	51,942	85,141
2028	34,651	50,490	85,141
2029-2033	197,367	228,338	425,705
2034-2038	244,487	181,218	425,705
2039-2043	302,858	122,847	425,705
2044-2048	374,689	50,541	425,230
	<u>1,278,729</u>	<u>\$ 849,321</u>	<u>\$ 2,128,050</u>
Less Current Portion	<u>(29,197)</u>		
Long-Term Portion	<u>\$ 1,249,532</u>		

**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.

**NOTE 5 – LONG-TERM DEBT** (Continued)

Future amortization of the principal of the debt outstanding as of June 30, 2023, was as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 12,081	\$ 23,149	\$ 35,230
2025	12,610	22,621	35,231
2026	13,162	22,069	35,231
2027	13,737	21,493	35,230
2028	14,338	20,892	35,230
2039-2033	81,670	94,485	176,155
2034-2038	101,167	74,986	176,153
2039-2043	125,321	50,833	176,154
2044-2048	155,043	20,913	175,956
	<u>529,129</u>	<u>\$ 351,441</u>	<u>\$ 880,570</u>
Less Current Portion	<u>(12,081)</u>		
Long-Term Portion	<u>\$ 517,048</u>		

**USDA Rural Development Certificate of Participation #3 (COP – USDA 2021)**

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.

Future amortization of the principal of the debt outstanding as of June 30, 2023, was as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 32,000	\$ 17,038	\$ 49,038
2025	32,000	16,334	48,334
2026	33,000	15,640	48,640
2027	33,000	14,947	47,947
2028	34,000	14,266	48,266
2029-2033	179,000	61,298	240,298
2034-2038	193,000	45,473	238,473
2039-2043	209,000	31,171	240,171
2044-2048	228,000	18,841	246,841
2049-2053	249,000	9,081	258,081
2054-2058	275,000	2,567	277,567
2059-2060	115,000	99	115,099
	<u>1,612,000</u>	<u>\$ 246,755</u>	<u>\$ 1,858,755</u>
Less Current Portion	<u>(32,000)</u>		
Long-Term Portion	<u>\$ 1,580,000</u>		

**NOTE 6 – PRIOR PERIOD RESTATEMENT**

During the 2023 financial reporting process, it was determined that \$292,416 in grant revenues earned but not received during the period of June 30, 2022, were not properly recorded as grant income and grant receivables in the 2022 financial statements. In order to correct this error, a prior period adjustment has been made to reflect the income in the proper period. The effect of the prior period adjustment is to increase grant income, grant receivables, and unrestricted net assets for the year ended June 30, 2022, by the referenced amount.

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 5, 2023, 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, 2023**

	Water	Sewer	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,148,720	\$ 214,959	\$ 8,363,679
Accounts Receivable	26,752	62,422	89,174
Prepaid Expenses	9,491	9,490	18,981
Capital Assets			
Land	655,461	449,633	1,105,094
Buildings and Improvements	4,089,363	5,431,821	9,521,184
Sewer Treatment Plant	24,727	49,904	74,631
Wells, Pumps, and Pipelines	3,918,553	798,057	4,716,610
Equipment	55,704	54,037	109,741
Construction in Progress	-	4,928,075	4,928,075
Less Accumulated Depreciation	<u>(2,118,372)</u>	<u>(2,319,155)</u>	<u>(4,437,527)</u>
Total Capital Assets, Net of Depreciation	6,625,436	9,392,372	16,017,808
Other Assets	<u>4,375</u>	<u>4,375</u>	<u>8,750</u>
<b>Total Assets</b>	<b><u>\$ 14,814,774</u></b>	<b><u>\$ 9,683,618</u></b>	<b><u>\$ 24,498,392</u></b>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities			
Accounts Payable	\$ 70,515	\$ 70,514	\$ 141,029
Deposits from Customers	130,759	-	130,759
Interest Payable	-	24,307	24,307
Line of Credit	-	2,577	2,577
Current Portion of Long-Term Debt	-	73,278	73,278
Long-Term Debt	<u>-</u>	<u>3,346,580</u>	<u>3,346,580</u>
<b>Total Liabilities</b>	<u>201,274</u>	<u>3,517,256</u>	<u>3,718,530</u>
Net Position			
Net Investment in Capital Assets	6,625,436	5,969,937	12,595,373
Net Position - Restricted, Capital Improvements	-	287,549	287,549
Net Position - Unrestricted	<u>7,988,064</u>	<u>(91,124)</u>	<u>7,896,940</u>
<b>Total Net Position</b>	<u>14,613,500</u>	<u>6,166,362</u>	<u>20,779,862</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 14,814,774</u></b>	<b><u>\$ 9,683,618</u></b>	<b><u>\$ 24,498,392</u></b>

**PIXLEY PUBLIC UTILITY DISTRICT  
COMBINING STATEMENT OF ACTIVITIES  
AND CHANGES IN NET POSITION BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Water	Sewer	Total
<b>OPERATING REVENUES</b>			
Water Charges	\$ 435,188	\$ -	\$ 435,188
Sewer Charges	-	466,548	466,548
Other Water and Sewage Fees	33,304	29,929	63,233
Total Operating Revenues	<u>468,492</u>	<u>496,477</u>	<u>964,969</u>
<b>OPERATING EXPENSES</b>			
Transmission and Distribution Expenses	419,151	253,264	672,415
Customer Accounting and Collection Expenses	61,594	58,593	120,187
General Expenses	134,069	132,504	266,573
Depreciation	363,141	179,404	542,545
Total Operating Expenses	<u>977,955</u>	<u>623,765</u>	<u>1,601,720</u>
Operating Loss	<u>(509,463)</u>	<u>(127,288)</u>	<u>(636,751)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Rental Income	\$ 10,800	\$ 10,800	21,600
Grant Income	2,084,367	-	2,084,367
Other Income	25,764	25,763	51,527
Other Expense	(2,554)	(2,553)	(5,107)
Interest Income	4,082	4,083	8,165
Interest Expense	(78,214)	(80,566)	(158,780)
Total Non-Operating Revenues (Expenses)	<u>2,044,245</u>	<u>(42,473)</u>	<u>2,001,772</u>
Net Increase (Decrease) in Net Position	1,534,782	(169,761)	1,365,021
Net Position, Beginning of Year	<u>13,078,718</u>	<u>6,336,123</u>	<u>19,414,841</u>
Net Position, Ending of Year	<u>\$ 14,613,500</u>	<u>\$ 6,166,362</u>	<u>\$ 20,779,862</u>

**PIXLEY PUBLIC UTILITY DISTRICT  
STATEMENT OF OPERATING EXPENSES BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Water	Sewer	Total
<b>Transmission and Distribution Expenses</b>			
Labor	\$ 78,159	\$ 78,160	\$ 156,319
Payroll Taxes	7,025	7,024	14,049
Repairs to Equipment and System	179,102	42,939	222,041
Utilities	121,697	53,591	175,288
Tools and Shop Supplies	7,732	8,814	16,546
Insurance	3,027	3,027	6,054
California Water Fees	8,006	44,516	52,522
Auto Maintenance	3,412	4,226	7,638
Water and Sewer Testing	10,991	10,967	21,958
<b>Total Transmission and Distribution Expenses</b>	<b>\$ 419,151</b>	<b>\$ 253,264</b>	<b>\$ 672,415</b>
<b>Customer Accounting and Collection Expenses</b>			
Clerks	\$ 43,431	\$ 43,427	\$ 86,858
Postage	4,423	4,424	8,847
Office Supplies	10,093	7,096	17,189
Payroll Taxes	3,371	3,370	6,741
Insurance	170	170	340
Bank Service Charges	18	19	37
Other Expenses	88	87	175
<b>Total Customer Accounting and Collection Expenses</b>	<b>\$ 61,594</b>	<b>\$ 58,593</b>	<b>\$ 120,187</b>
<b>General Expenses</b>			
Salaries and Wages	\$ 14,319	\$ 14,320	\$ 28,639
Employee Benefits	17,570	17,571	35,141
Telephone Expense	6,740	6,176	12,916
Fuel/Mileage	7,644	7,595	15,239
Advertising and Publication	926	1,413	2,339
Utilities	2,601	2,826	5,427
Building and Ground Maintenance	1,829	2,275	4,104
Accounting	11,314	11,314	22,628
Engineering	43,006	43,005	86,011
Legal	8,593	8,592	17,185
Licenses/Permits	2,353	1,946	4,299
Insurance	11,816	11,814	23,630
Irrigation Taxes	1,210	1,211	2,421
Miscellaneous	4,148	2,446	6,594
<b>Total General Expenses</b>	<b>\$ 134,069</b>	<b>\$ 132,504</b>	<b>\$ 266,573</b>

**PIXLEY PUBLIC UTILITY DISTRICT  
COMBINING STATEMENT OF NET POSITION BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<b>ASSETS</b>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 8,099,556	\$ 461,095	\$ 8,560,651
Accounts Receivable			
Utilities	26,003	60,673	86,676
Grants	-	798,336	798,336
Prepaid Expenses	8,652	8,651	17,303
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	2,306,046	789,313	3,095,359
Equipment	55,704	54,037	109,741
Construction in Progress	-	4,455,202	4,455,202
Less Accumulated Depreciation	<u>(1,754,676)</u>	<u>(2,151,065)</u>	<u>(3,905,741)</u>
Total Capital Assets, Net of Depreciation	4,957,748	9,497,722	14,455,470
Other Assets	<u>4,375</u>	<u>4,375</u>	<u>8,750</u>
<b>Total Assets</b>	<u><u>\$ 13,096,334</u></u>	<u><u>\$ 10,830,852</u></u>	<u><u>\$ 23,927,186</u></u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities			
Accounts Payable	\$ 32,452	\$ 32,452	\$ 64,904
Deposits from Customers	131,372	-	131,372
Interest Payable	-	24,827	24,827
Line of Credit	-	1,093,252	1,093,252
Current Portion of Long-Term Debt	-	70,548	70,548
Long-Term Debt	<u>-</u>	<u>3,419,858</u>	<u>3,419,858</u>
<b>Total Liabilities</b>	<u>163,824</u>	<u>4,640,937</u>	<u>4,804,761</u>
Net Position			
Net Investment in Capital Assets	4,957,748	4,914,064	9,871,812
Net Position - Restricted, Capital Improvements	-	490,888	490,888
Net Position - Unrestricted	<u>7,974,762</u>	<u>784,963</u>	<u>8,759,725</u>
<b>Total Net Position</b>	<u>12,932,510</u>	<u>6,189,915</u>	<u>19,122,425</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 13,096,334</u></u>	<u><u>\$ 10,830,852</u></u>	<u><u>\$ 23,927,186</u></u>

**PIXLEY PUBLIC UTILITY DISTRICT  
COMBINING STATEMENT OF ACTIVITIES  
AND CHANGES IN NET POSITION BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Water - Metered	\$ 426,714	\$ -	\$ 426,714
Sewer Charges	-	458,762	458,762
Other and Connection Fees	111,800	112,628	224,428
	<u>538,514</u>	<u>571,390</u>	<u>1,109,904</u>
<b>OPERATING EXPENSES</b>			
Transmission and Distribution Expenses	420,558	271,209	691,767
Customer Accounting and Collection Expenses	52,510	52,505	105,015
General Expenses	131,777	202,037	333,814
Depreciation	307,879	176,552	484,431
	<u>912,724</u>	<u>702,303</u>	<u>1,615,027</u>
Total Operating Expenses	<u>912,724</u>	<u>702,303</u>	<u>1,615,027</u>
Operating Loss	<u>(374,210)</u>	<u>(130,913)</u>	<u>(505,123)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Rental Income	10,800	10,800	21,600
Grant Income	577,392	-	577,392
Other Income	7,670,238	-	7,670,238
Interest Income	3,777	3,777	7,554
Interest Expense	(60,748)	(82,067)	(142,815)
	<u>8,201,459</u>	<u>(67,490)</u>	<u>8,133,969</u>
Total Non-Operating Revenues (Expenses)	<u>8,201,459</u>	<u>(67,490)</u>	<u>8,133,969</u>
Net Increase (Decrease) in Net Position	7,827,249	(198,403)	7,628,846
Net Position, Beginning of Year	<u>5,105,261</u>	<u>6,388,318</u>	<u>11,493,579</u>
Net Position, Ending of Year	<u>\$ 12,932,510</u>	<u>\$ 6,189,915</u>	<u>\$ 19,122,425</u>

**PIXLEY PUBLIC UTILITY DISTRICT  
STATEMENT OF OPERATING EXPENSES BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Transmission and Distribution Expenses</b>			
Labor	\$ 67,778	\$ 67,777	\$ 135,555
Payroll Taxes	6,199	6,199	12,398
Repairs to Equipment and System	204,031	54,736	258,767
Utilities	103,166	64,142	167,308
Tools and Shop Supplies	9,067	9,650	18,717
Insurance	5,556	5,556	11,112
California Water Fees	7,006	42,886	49,892
Auto Maintenance	7,962	8,244	16,206
Water and Sewer Testing	9,729	12,019	21,748
Miscellaneous	64	-	64
	<u>64</u>	<u>-</u>	<u>64</u>
<b>Total Transmission and Distribution Expenses</b>	<b><u>\$ 420,558</u></b>	<b><u>\$ 271,209</u></b>	<b><u>\$ 691,767</u></b>
<b>Customer Accounting and Collection Expenses</b>			
Clerks	\$ 37,857	\$ 37,857	\$ 75,714
Postage	3,405	3,405	6,810
Office Supplies	7,734	7,755	15,489
Payroll Taxes	2,935	2,934	5,869
Insurance	313	312	625
Customer Account Collection	4	-	4
Bank Service Charges	265	242	507
Other Expenses	(3)	-	(3)
	<u>(3)</u>	<u>-</u>	<u>(3)</u>
<b>Total Customer Accounting and Collection Expenses</b>	<b><u>\$ 52,510</u></b>	<b><u>\$ 52,505</u></b>	<b><u>\$ 105,015</u></b>
<b>General Expenses</b>			
Salaries and Wages	\$ 13,759	\$ 13,759	\$ 27,518
Employee Benefits	19,306	19,307	38,613
Telephone Expense	8,108	7,146	15,254
Fuel/Mileage	7,835	7,864	15,699
Advertising and Publication	577	576	1,153
Utilities	2,072	2,241	4,313
Building and Ground Maintenance	4,063	8,481	12,544
Accounting	12,425	12,425	24,850
Engineering	38,404	38,405	76,809
Legal	6,039	6,040	12,079
Licenses/Permits	2,070	69,595	71,665
Insurance	10,275	10,275	20,550
Irrigation Taxes	1,043	1,044	2,087
Miscellaneous	5,801	4,879	10,680
	<u>5,801</u>	<u>4,879</u>	<u>10,680</u>
<b>Total General Expenses</b>	<b><u>\$ 131,777</u></b>	<b><u>\$ 202,037</u></b>	<b><u>\$ 333,814</u></b>

**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 GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Pixley Public Utility District  
Pixley, California

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 Pixley Public Utility District (the District), as of and for the fiscal year ended June 30, 2023, 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 October 5, 2023.

**Report on 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of current year audit findings and responses, that we consider to be material weaknesses.

## Report on 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*.

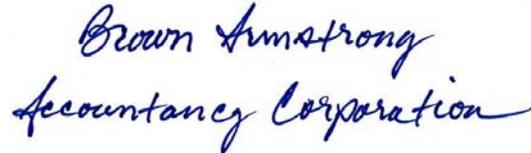
## The District's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of current year audit findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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  
October 5, 2023

**PIXLEY PUBLIC UTILITY DISTRICT  
STATUS OF CURRENT YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**2023-01: 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 State of California Department of Public Health Proposition 84 Grant funds earned during the prior fiscal year. This resulted in an understatement of revenues in the amount of \$292,416 and of receivables in the amount of \$292,416 in the prior fiscal year. As a result of the understatement, the beginning balances for equity and receivables for the current period were understated.

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

The District will ensure going forward that revenues and receivables are recorded in the correct period to which category they should be assigned to.

**2023-02: Construction in Progress and Revenue**

During our review of construction in progress and revenues, we noted that the Pixley Public Utility District (the District) did not record the construction in progress and related project revenue activity for the current fiscal year into the correct classification of accounts. This resulted in an understatement of assets in the amount of \$276,284 and of revenues in the amount of \$276,284 in the current year.

Criteria

Activity should be recorded in the correct account classifications based on the type of activity to ensure the amounts presented in the financial statements are accurate.

Recommendation

We recommend that the District record revenues and construction in progress activities in the correct account classifications.

Management Response

The District will ensure that activity recorded will be assigned to the correct account classifications going forward.

**PIXLEY PUBLIC UTILITY DISTRICT  
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

None.

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

Board of Directors  
Pixley Public Utility District  
Pixley, California

**Report on Compliance for Each Major Federal Program*****Opinion on Each Major Federal Program***

We have audited Pixley Public Utility District's (the District) compliance with the types of compliance requirements identified as subject to audit in the United States 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 year ended June 30, 2023. 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.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
October 5, 2023

**PIXLEY PUBLIC UTILITY DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
<b>DEPARTMENT OF TREASURY</b>		
Coronavirus State And Local Fiscal Recovery Funds	21.027	<u>\$ 1,494,675</u>
Total Department of Treasury		<u>1,494,675</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>283,183</u>
Total U.S. Department of Agriculture		<u>283,183</u>
Total Federal Expenditures		<u><u>\$ 1,777,858</u></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, 2023**

**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.

**FINDINGS AND QUESTIONED COSTS SECTION**

**PIXLEY PUBLIC UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**1. Summary of Auditor's Results**

*Financial Statements:*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness 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 weakness 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 Number: 21.027 Coronavirus State and Local Fiscal Recovery Funds

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.