LAMONT PUBLIC UTILITY DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2021

LAMONT PUBLIC UTILITY DISTRICT
ORGANIZATION DATA
JUNE 30, 2021

BOARD OF DIRECTORS

ELECTED OFFICERS

T. Javier Prado, President

Jesus Alonso, Vice-President

Roberto Gonzalez, Director

Miguel Sanchez, Director

Jose G. Cruz, Director

ADMINISTRATION

Scott Taylor, General Manager / Board Secretary

Eric Alvarez, Finance Manager

LAMONT PUBLIC UTILITY DISTRICT
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lamont Public Utility District
Lamont, California

Report on the Basic Financial Statements

We have audited the accompanying statement of net position of Lamont Public Utility District (the District) as of June 30, 2021; the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021, and the changes in financial position and its cash flows for the 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, schedule of the District's proportionate share of the net pension liability, and schedule of contributions 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 (GASB), 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

Bakersfield, California
April 20, 2022

As management of the Lamont Public Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's basic financial statements, which will follow this section.

Using This Annual Report

This annual report includes this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the District. The basic financial statements consist of a series of financial statements. The statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows provide information about the activities of the District. The basic financial statements also include various footnote disclosures, which further describe District activities. In addition, this annual report also provides required supplementary information (RSI), which is required by the Governmental Accounting Standards Board (GASB), and provides required information on the District's defined benefit pension plan.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net position includes all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, as well as its profitability and credit worthiness.

The final required financial statement is the statement of cash flows. This statement reports cash resulting from operations, investing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Highlights, Fiscal Year Ended June 30, 2021

- The largest portion of the District's assets is its investment in capital assets. The District uses these assets to provide service and, consequently, these assets are not available to liquidate liabilities or other spending.
- Current assets as of June 30, 2021, include $8,271,051 in cash and investments, maintained in commercial banks and the Local Agency Investment Fund.
- Operating revenues for the year ended June 30, 2021, consisted primarily of water and sewer service charges. Operating revenues decreased slightly, mainly due to decreases in sewer and capacity and connection fees.

Condensed Financial Statements

	2021	2020 (Restated)	2021 vs 2020 Variance
Current and other assets	$ 8,445,200	$ 7,119,090	$ 1,326,110
Capital assets, net	22,513,752	22,565,134	(51,382)
Deferred outflows of resources	123,541	116,969	6,572
Total assets and deferred outflows of resources	$ 31,082,493	$ 29,801,193	$ 1,281,300
Current liabilities	$ 799,770	$ 776,981	$ 22,789
Long-term liabilities	6,380,211	6,883,674	(503,463)
Deferred inflows of resources	520	2,015	(1,495)
Total liabilities and deferred inflows of resources	7,180,501	7,662,670	(482,169)
Net position	23,901,992	22,138,523	1,763,469
Total liabilities, deferred inflows of resources, and net position	$ 31,082,493	$ 29,801,193	$ 1,281,300

	2021	2020 (Restated)	2021 vs 2020 Variance
Operating revenues	$ 5,312,510	$ 5,557,048	$ (244,538)
Operating expenses	4,236,854	4,042,703	194,151
Operating income	1,075,656	1,514,345	(438,689)
Nonoperating revenues (expenses)			
Rents and leases	55,850	74,508	(18,658)
All other revenues	416,919	518,930	(102,011)
Interest expense	(179,151)	(202,574)	23,423
Total nonoperating revenues (expenses)	293,618	390,864	(97,246)
Income after other revenues and expenses	1,369,274	1,905,209	(535,935)
Capital contributions - grants	394,195	-	394,195
Change in net position	1,763,469	1,905,209	(141,740)
Net position, beginning of the year, as restated	22,138,523	20,233,314	1,905,209
Net position, end of the year	$ 23,901,992	$ 22,138,523	$ 1,763,469

Capital Assets and Long-Term Debt

During the year ended June 30, 2021, the District's total assets decreased slightly by $51,382 net of accumulated depreciation. Major additions mostly consisted of building and fixtures due to the District completing the construction of the office building and transferring it to completed. This is reflected in the overall decrease of $1,773,036 in construction in progress. Refer to Note 3 – Capital Assets for additional details.

The District's long-term debt includes Limited Obligation Improvement Bonds, Certificates of Participation funded by the United States Department of Agriculture (USDA), a loan from the State of California Department of Public Health, a loan from the California Energy Commission, and compensated absences and net pension liability. During the year ended June 30, 2021, the District reduced debt by $513,234 from normal scheduled payments. Refer to Note 4 – Long-Term Debt – Schedule of Changes for additional details.

Economic Factors

The local building economy has stabilized resulting in a consistent, though low, rate of new accounts. District operating revenues are flat due to the slow building industry. Plant and system expansion will continue to be monitored to serve any changes in growth.

Conditions Affecting Current Financial Position

Management is unaware of any conditions that would have a significant impact on the District's financial position, net position, or operating results in future periods.

Contacting the District's Financial Management

This financial report is designed to provide the Board of Directors, our customers, and creditors with a general overview of the District's accountability for the assets it receives and manages. If you have questions about this report or need additional information, please contact Scott Taylor, General Manager, at 8624 Segrue Road, Lamont, California 93241.

LAMONT PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Water Operations	Sewer Operations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and investments (Note 2)	$ 5,838,003	$ 2,433,048	$ 8,271,051
Receivables			
Accounts, net	47,873	28,493	76,366
Prepaid expenses	61,483	35,794	97,277
Total current assets	5,947,359	2,497,335	8,444,694
Capital Assets, net (Note 3)	13,148,273	9,365,479	22,513,752
Other assets			
Refundable deposits	506	-	506
Total assets	19,096,138	11,862,814	30,958,952
Deferred outflows of resources			
Pension outflows (Note 8)	85,200	38,341	123,541
Total assets and deferred outflows of resources	$ 19,181,338	$ 11,901,155	$ 31,082,493
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities			
Current maturities of long-term debt (Note 7)	$ 242,261	$ 283,450	$ 525,711
Accounts payable	105,569	3,569	109,138
Accrued payroll	34,536	18,683	53,219
Accrued interest payable	-	30,320	30,320
Deposits	-	476	476
Compensated absences	52,588	28,318	80,906
Total current liabilities	434,954	364,816	799,770
Long-term liabilities			
Net pension liability	48,513	24,416	72,929
Certificates of participation, less current maturities (Notes 4 and 7)	-	3,699,000	3,699,000
Bonds payable, less current maturities (Notes 5 and 7)	-	166,500	166,500
Loan payable, less current maturities (Notes 6 and 7)	2,089,109	352,673	2,441,782
Total long-term liabilities	2,137,622	4,242,589	6,380,211
Total liabilities	2,572,576	4,607,405	7,179,981
Deferred inflows of resources			
Pension inflows (Note 8)	338	182	520
Total liabilities and deferred inflows of resources	2,572,914	4,607,587	7,180,501
Net position			
Net investment in capital assets	12,301,685	3,379,073	15,680,758
Unrestricted	4,306,739	3,914,495	8,221,234
Total net position	16,608,424	7,293,568	23,901,992
Total liabilities, deferred inflows of resources, and net position	$ 19,181,338	$ 11,901,155	$ 31,082,493

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

LAMONT PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Water Operations	Sewer Operations	Total
Operating revenues			
Water	$ 3,479,059	$ 18,194	$ 3,497,253
Sewer	-	1,722,612	1,722,612
Capacity and connection fees	38,814	450	39,264
Other (meter rents, deposit forfeiture, etc.)	45,968	7,413	53,381
Total operating revenues	3,563,841	1,748,669	5,312,510
Operating expenses			
General and administration	1,018,736	645,214	1,663,950
Power	626,781	43,092	669,873
Repairs and maintenance	246,409	63,484	309,893
Depreciation	653,674	868,948	1,522,622
Other (contract services, lab fees, chemicals, etc.)	68,014	2,502	70,516
Total operating expenses	2,613,614	1,623,240	4,236,854
Operating profit	950,227	125,429	1,075,656
Nonoperating revenues and expenses			
Taxes and assessments	113,676	261,944	375,620
Rents and leases	600	55,250	55,850
Interest income	38,262	5,786	44,048
Interest expense	(13,594)	(165,557)	(179,151)
Other expense	(2,749)	-	(2,749)
Total nonoperating revenues and expenses	136,195	157,423	293,618
Profit after other revenues and expenses	1,086,422	282,852	1,369,274
Capital contributions			
Grants	394,195	-	394,195
Change in net position	1,480,617	282,852	1,763,469
Net position, beginning of the year, as restated (Note 9)	15,127,807	7,010,716	22,138,523
Net position, end of year	$ 16,608,424	$ 7,293,568	$ 23,901,992

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

LAMONT PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS – COMBINED TOTAL
FOR THE YEAR ENDED JUNE 30, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 5,265,237
Payments to employees	(1,613,466)
Payments to suppliers for goods and services	(1,080,509)
Net cash provided by operating activities	2,571,262
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(63,119)
Rental and investment income received	98,384
Net cash provided by investing activities	35,265
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Principal payments on long-term debt	(513,233)
Interest payments	(181,900)
Proceeds from property taxes and assessments	375,620
Capital purchases	(97,048)
Cash used for construction in progress	(1,311,073)
Capital grant income	394,195
Net cash used by capital financing activities	(1,333,439)
Net increase in cash and investments	1,273,088
Cash and investments at beginning of year	6,997,963
Cash and investments at end of year	$ 8,271,051

RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating profit	$ 1,075,656
Adjustments to reconcile operating profit to net cash provided by operating activities:	
Depreciation	1,522,622
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(46,767)
Prepaid expenses	(5,749)
Other assets	(506)
Deferred outflows of resources	(6,572)
Increase (decrease) in:	
Accounts payable	(24,478)
Deferred inflows of resources	(1,495)
Net pension liabilities	22,249
Payroll and compensated absences liabilities	36,302
Net cash provided by operating activities	$ 2,571,262

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

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lamont Public Utility District (the District) is a water and sewer agency operating under the applicable laws and regulations of a special district of the State of California. It is governed by a five-member Board of Directors (the Board) elected by registered voters of the District.

A summary of the District's significant accounting policies follows:

A. Reporting Entity

The District operates as an enterprise fund. An enterprise fund accounts for operations that are financed and operated similar to private business enterprises, where the intent is that the costs of providing services to customers on a continuing basis be financed or recovered primarily through user charges.

In July 2007, the Lamont Public Utility District Financing Authority (the Authority) was formed as a nonprofit benefit corporation under the Nonprofit Benefit Corporation Law of the State of California. The purpose of the Authority is to finance the acquisition and construction of capital improvements for the District. The Authority issues Certificates of Participation (COPs), a form of long-term debt, which the District uses to finance construction of such improvements.

The District and the Authority have a financial and operational relationship that meets the reporting entity's definition of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and applicable amendments including GASB Statement No. 61, for inclusion of the Authority as a component unit of the District. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as a part of the other.

Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recorded on the accrual basis of accounting when the exchange takes place. Contribution revenue is primarily recognized on a cost-reimbursement basis or in accordance with the terms of grant agreements. Expenses are recognized at the time they are incurred.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Classification of Revenues

Enterprise funds distinguish operating revenues and expenses from nonoperating 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; support of providing water services, sewage collection, and disposal services; related capital assets; administrative expenses; and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating or other revenues and expenses.

D. Budget

Although a budget is adopted annually, it is used primarily as a guideline for the Board in regulating expenses. There is no legal requirement to stay within the adopted budget in the payment or classification of expenses.

E. Use of Estimates

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

F. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks and short-term, highly liquid investments with a maturity of three months or less, which includes money market funds. This definition of cash and cash equivalents is used in the statement of cash flows.

G. Deposits and Investments

All deposits and investments are made in Board-designated official depositories and are secured as required by State Law. Investment purchases and sales are recorded as of the trade date. Income is recognized when earned.

The District applies GASB Statement No. 31. *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* This statement generally requires that investments be reported at fair value and that all changes in fair value be reflected as income in the period in which they occur. The State of California Local Agency Investment Fund (LAIF) is stated at amortized cost, which approximates fair value.

H. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Senior management reviews accounts receivable on a monthly basis to determine if any receivables will potentially be uncollectible. Accounts receivable balances that are determined to be uncollectible, along with a general reserve, are included in the overall allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, the District believes the allowance for doubtful accounts as of June 30, 2021, is adequate. However, actual write-offs may exceed the recorded allowance. The allowance for doubtful account at June 30, 2021 was $8,865.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to a future accounting period and are recorded as prepaid expenses in the financial statements.

J. Capital Assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 - 40 years. Maintenance and repairs, which do not increase the useful lives of the assets, are charged to expense as incurred. Major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

K. Compensated Absences

The District accrues vested liabilities for vacation and sick time. Liabilities for vacation and sick leave are recorded when benefits are earned. A liability for these amounts is reported in the statement of net position.

L. Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources, defined as a consumption of net position that is applicable to a future funding period, and deferred inflows of resources, defined as an acquisition of net position that is applicable to a future period. The District reports deferred outflows of resources and deferred inflows of resources related to the District's defined benefit pension plan. More information regarding these items are detailed in a separate note disclosure - Note 9 – Pension Plan.

M. Defined Benefit Pension Plan

For purposes of measuring the defined benefit pension plan, deferred outflows of resources and deferred inflows of resources related to net pension liability, pension expense, information about the fiduciary net position of the pension plan has been determined on the same basis as they are reported by the plan, which is the accrual basis of accounting. Benefit payments are recorded in the period the related salaries are earned and become measureable. Investment income is recognized when it is earned.

N. Net Position

The basic financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* – This category presents net position with external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This category represents net position of the District, not restricted for any project or other purpose.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Property Tax

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due and payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Kern bills and collects the taxes for the District. Property taxes are recognized as revenue when they are levied.

P. Water Sales

Most water sales are billed on a monthly cyclical basis. Estimated unbilled water revenue through year-end has been accrued based on previous year used and estimations.

Q. Use of Estimates

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

R. New Accounting Pronouncements

During the year ended June 30, 2021, the District implemented the following GASB pronouncements:

GASB Statement No. 84 – *Fiduciary Activities.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. There was no effect on the District's financial statements as a result of implementing this statement.

GASB Statement No. 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. There was no effect on the District's financial statements as a result of implementing this statement.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The requirements of this statement, except paragraphs 11b, 13 and 14, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 13, 2021. The requirements in paragraph 13 and 14 are effective for reporting periods beginning after June 15, 2021. There was no effect on the District's financial statements as a result of implementing this statement.

S. Future Accounting Pronouncements

GASB Statement No. 87 – *Leases.* The provisions of this statement are effective for reporting periods beginning after June 15, 2021.

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.

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Future Accounting Pronouncements (Continued)

GASB Statement No. 92 – *Omnibus 2020.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

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.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statement No. 14 and 84 and a supersession of GASB Statement No. 32*. The requirements in paragraph 4 as they apply to defined contribution plans, defined contribution OPEB plans, and other employee benefit plans, and paragraph 5 were effective immediately. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

The District has not fully judged the effect of the implementation of above listed statements, as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consist of the following at June 30, 2021:

	Water Operations	Sewer Operations	Total
Deposits with financial institutions	$ 1,769,807	$ 1,720,171	$ 3,489,978
Local Agency Investment Fund (LAIF)	4,068,196	712,877	4,781,073
Total	$ 5,838,003	$ 2,433,048	$ 8,271,051

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the CalTrust Short-Term and Medium-Term joint investment pools and LAIF. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments in the State Pool

The California State Treasurer's Office operates the LAIF. The LAIF is available for investment of funds administered by California local governments and special districts and is not registered with the Securities and Exchange Commission (SEC) as an investment company.

The District is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the State of California. The fair value of the District's investments in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of their value provided by the State of California for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on a fair value cost basis.

There are no limitations or restrictions on withdrawals and the LAIF authority does not impose liquidity fees or redemption gates.

NOTE 2 – <u>CASH AND INVESTMENTS</u> (Continued)

<u>Disclosures Relating to Interest Rate Risk</u>

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Weighted Average Maturity is not applicable to LAIF funds.

<u>Disclosures Relating to Credit Risk</u>

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Standard & Poor's (S&P) has recently reconfirmed its "AAf" credit rating (as of the most recent available data) on the CalTrust Short-Term investment pool, citing "very strong protection against losses from credit defaults." In addition, S&P also has reiterated its "S1+" volatility rating on the CalTrust Short-Term investment pool, recognizing that the portfolio "possesses an extremely low sensitivity to changing market conditions." The CalTrust Medium-Term investment pool does not have a rating provided by a nationally recognized statistical rating organization.

<u>Concentration of Credit Risk</u>

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total investments consist of the amounts in LAIF.

<u>Custodial Credit Risk</u>

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 California Government Code does 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 entity). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

<u>Fair Value Measurements</u>

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

The District has the following recurring fair value measurements as of June 30, 2021:

		Fair Value Measurements Using		
Investments by Fair Value Level		Quoted Prices in Active Markets Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Inputs (Level 3)
Total Investments Measured at Fair Value	$ -	$ -	$ -	$ -
LAIF at Amortized Cost	$ 4,781,073			

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, is as follows:

Water Operations	Balance June 30, 2020	Additions	Deletions	Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	$ 247,559	$ -	$ -	$ -	$ 247,559
Construction in progress	1,282,751	1,107,927	1,163,116	(991)	1,226,571
Total capital assets, not being depreciated	1,530,310	1,107,927	1,163,116	(991)	1,474,130
Depreciable capital assets:					
Water systems	13,282,367		-	(6)	13,282,361
Buildings and fixtures - Water	2,988,316	1,274,203	-	-	4,262,519
Vehicles	170,631	24,791	-	-	195,422
Total depreciable capital assets	16,441,314	1,298,994	-	(6)	17,740,302
Less: accumulated depreciation	5,412,491	653,674	-	(6)	6,066,159
Total depreciable capital assets, net	11,028,823	645,320	-	-	11,674,143
Total capital assets, net	$ 12,559,133	$ 1,753,247	$ 1,163,116	$ (991)	$ 13,148,273

Depreciation expense for water operations was $653,674 at June 30, 2021.

Sewer Operations	Balance June 30, 2020	Additions	Deletions	Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	$ 576,951	$ -	$ -	$ -	$ 576,951
Construction in progress	993,969	203,146	609,920	(2,436)	584,759
Total capital assets, not being depreciated	1,570,920	203,146	609,920	(2,436)	1,161,710
Depreciable capital assets:					
Sewer systems	15,687,460	-	-	4	15,687,464
Buildings and fixtures - Sewer	1,257,323	624,286	-	-	1,881,609
Vehicles	-	13,349	-	-	13,349
Total depreciable capital assets	16,944,783	637,635	-	4	17,582,422
Less: accumulated depreciation	8,509,702	868,948	-	3	9,378,653
Total depreciable capital assets, net	8,435,081	(231,313)	-	1	8,203,769
Total capital assets, net	$ 10,006,001	$ (28,167)	$ 609,920	$ (2,435)	$ 9,365,479

Depreciation expense for sewer operations was $868,948 at June 30, 2021.

NOTE 3 – CAPITAL ASSETS (Continued)

Combined	Balance June 30, 2020	Additions	Deletions	Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	$ 824,510	$ -	$ -	$ -	$ 824,510
Construction in progress	2,276,720	1,311,073	1,773,036	(3,427)	1,811,330
Total capital assets, not being depreciated	3,101,230	1,311,073	1,773,036	(3,427)	2,635,840
Depreciable capital assets:					
Water systems	13,282,367	-	-	(6)	13,282,361
Sewer systems	15,687,460	-	-	4	15,687,464
Buildings and fixtures - Water	2,988,316	1,274,203	-	-	4,262,519
Buildings and fixtures - Sewer	1,257,324	624,286	-	-	1,881,610
Vehicles	170,631	38,140	-	-	208,771
Total depreciable capital assets	33,386,098	1,936,629	-	(2)	35,322,725
Less: accumulated depreciation	13,922,194	1,522,622	-	(3)	15,444,813
Total depreciable capital assets, net	19,463,904	414,007	-	1	19,877,912
Total capital assets, net	$ 22,565,134	$ 1,725,080	$ 1,773,036	$ (3,426)	$ 22,513,752

Total depreciation expense was $1,522,622 at June 30, 2021.

NOTE 4 – CERTIFICATES OF PARTICIPATION

On May 1, 2008, the Authority issued COPs in the amount of $4,561,000 to provide funds for the improvement of the wastewater system. The interest rate is 4.125% and is payable on March 1 and September 1 of each year.

COPs	Interest Rate	Date of Issue	Amount of Original Issue	COPs Outstanding June 30, 2020	Redeemed During Year	COPs Outstanding June 30, 2021
2008 Certificates of Participation	4.125%	5/1/2008	$ 4,561,000	$ 3,854,000	$ 76,000	$ 3,778,000

The certificates mature through 2048 as follows:

Years Ending June 30,	Principal	Interest	Total
2022	$ 79,000	$ 154,213	$ 233,213
2023	82,000	150,893	232,893
2024	85,000	147,449	232,449
2025	89,000	143,860	232,860
2026	93,000	140,106	233,106
2027-2031	641,000	638,780	1,279,780
2032-2036	667,000	519,109	1,186,109
2037-2041	817,000	372,694	1,189,694
2042-2046	1,000,000	193,280	1,193,280
2047	225,000	18,378	243,378
	$ 3,778,000	$ 2,478,762	$ 6,256,762

NOTE 5 – BONDS

The 1998 Limited Obligation Improvement Bonds of $2,615,174 were issued January 7, 1998, at 4.5% interest. The final maturity date is September 2023.

The outstanding limited obligation improvement bond debt as of June 30, 2021, is as follows:

Bond	Interest Rate	Date of Issue	Amount of Original Issue	Bonds Outstanding June 30, 2020	Redeemed During Year	Bonds Outstanding June 30, 2021
Limited Obligation	4.5%	1/7/1998	$ 2,615,174	$ 478,500	$ 152,500	$ 326,000

The annual requirements to amortize the bonds outstanding as of June 30, 2021, are as follows:

Years Ending June 30,	Principal	Interest	Total
2022	$ 159,500	$ 11,081	$ 170,581
2023	166,500	3,746	170,246
	$ 326,000	$ 14,827	$ 340,827

NOTE 6 – LOANS PAYABLE

The District has a funding agreement with the State of California Department of Public Health for the construction of a well. Pursuant to the Safe Drinking Water State Revolving Fund Law of 1997, the State has loaned the District $749,828. The loan provides for interest at the rate of zero percent and requires semi-annual payments of principal on January 1 and July 1 of each year commencing December 2015. All unpaid principal is due and payable twenty years from the due date of the first payment.

Pursuant to the funding agreement, the District is required to have a fiscal services agreement with a Fiscal Agent, and maintain a separate deposit account with the Fiscal Agent in which the District must maintain sufficient funds to service the semi-annual loan payments.

The annual requirements to amortize the note outstanding at June 30, 2021, are as follows:

Years Ending June 30,	Principal	Total
2022	$ 37,491	$ 37,491
2023	37,491	37,491
2024	37,491	37,491
2025	37,491	37,491
2026	37,491	37,491
2027-2031	187,455	187,455
2032-2035	149,971	149,971
	$ 524,881	$ 524,881

NOTE 6 – LOANS PAYABLE (Continued)

The District has a funding agreement with the California Energy Commission for the construction of an energy savings project to be installed at the wastewater treatment plant in the City of Lamont, California. The total loan amount available to the District is $2,900,767. The balance at June 30, 2021, was $2,204,114. The loan provides for interest at the rate of one percent and requires semi-annual payments of principal on June 22 and December 22 of each year commencing December 2018, until principal and interest shall be paid in full.

The annual requirements to amortize the note outstanding at June 30, 2021, are as follows:

Years Ending June 30,	Principal	Interest	Total
2022	$ 249,720	$ 21,420	$ 271,140
2023	252,224	18,917	271,141
2024	254,709	16,431	271,140
2025	257,306	13,835	271,141
2026	259,885	11,255	271,140
2027-2030	930,268	18,720	948,988
	$ 2,204,112	$ 100,578	$ 2,304,690

NOTE 7 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2021, is as follows:

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year	Due After One Year
Bonds:						
Limited obligation	$ 478,500	$ -	$ 152,500	$ 326,000	$ 159,500	$ 166,500
Certificates of participation	3,854,000	-	76,000	3,778,000	79,000	3,699,000
State of California loan	562,372	-	37,491	524,881	37,491	487,390
California Energy Commission loan	2,451,355	-	247,243	2,204,112	249,720	1,954,392
Compensated absences	90,491	62,362	71,947	80,906	80,906	-
Net pension liability	50,680	22,249	-	72,929	-	72,929
	$ 7,487,398	$ 84,611	$ 585,181	$ 6,986,828	$ 606,617	$ 6,380,211

NOTE 8 – PENSION PLAN

General Information About the Pension Plan

Plan Description

All qualified employees are eligible to participate in the District's Miscellaneous Plan (the Plan), which is a public agency cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS acts as the common investment and administrative agency for the Plan. The CalPERS Plan consists of a miscellaneous pool (referred to as a "risk pool"), which is comprised of individual employer miscellaneous plans. The District benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

NOTE 8 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement, death, disability benefits, and annual cost of living adjustments (COLA) to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Public Employees Pension Reform Act (PEPRA) Members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The COLAs for each plan are applied as specified by the California Public Employees' Retirement Law. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report is a publicly available valuation report that can be obtained at the CalPERS website.

Employees Covered

At June 30, 2021, the following District employees were covered by the benefit terms for the Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	-
Inactive Employees Entitled to but not yet Receiving Benefits	-
Active Employees	13
Total	13

Allocation of Pension Amounts to Individual Employers

The allocation method used to derive each employer's proportionate share of the net pension liability/(asset) (NPL), deferred outflows of resources, deferred inflows of resources, and pension expense/(credit) excluding employer-paid member contributions included in the schedule is consistent with GASB Statement No. 68, paragraph 49. As described in CalPERS' audited financial statements, for accounting purposes, the Plan is a legal separate entity within the Public Employees' Retirement Fund (PERF), also referred to as PERF C. In determining an employer's proportionate share, the employer rate plans included in PERF C were assigned to either the Miscellaneous or Safety risk pool. The methodology described herein applies to only public agency employers participating in either of these risk pools.

Paragraph 49 of GASB Statement No. 68 indicates that, to the extent different contribution rates are assessed based on separate relationships that constitute the collective NPL, the determination of the employer's proportionate share of the collective NPL should be made in a manner that reflects those relationships. The allocation method utilized by CalPERS to determine the employer's proportionate share reflects these relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

CalPERS' actuaries prepare GASB Statement No. 68 Accounting Valuation Reports by employer rate plan. Allocated pension amounts by employer reported in the schedule represent the sum of the employer rate plans' proportionate shares of pension amounts, which are derived as follows:

Total CalPERS pension liability	$ 18,920,437,526
Less: Plan fiduciary net position	14,702,361,183
Net pension liability of employers	$ 4,218,076,343

The NPL of the District was $72,929 at June 30, 2021.

NOTE 8 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

Net Pension Liability (Asset)

In determining an individual employer rate plan's proportionate share of the NPL, estimates of the total pension liability (TPL) and the fiduciary net position (FNP) are first determined for the individual rate plans and the risk pool as a whole as of June 30, 2019 (Valuation Date).

The risk pool's FNP is subtracted from the risk pool's TPL to determine the risk pool's NPL at the Valuation Date (NPL = TPL – FNP).

Using standard actuarial roll forward methods, the risk pool's TPL is computed at the Measurement Date. The FNP for the risk pool is determined by CalPERS' Financial Office at the Measurement Date. By subtracting the FNP from the TPL, the NPL for the risk pool is computed at June 30, 2020 (Measurement Date).

The individual employer rate plan's share of the TPL, FNP, and NPL are calculated at the Valuation Date. Using the individual employer rate plan's share of the risk pool TPL and FNP at the Valuation Date, the proportionate shares of risk pool TPL and FNP at the Measurement Date are determined for each employer rate plan (i.e., individual employer rate plan TPL = (employer rate plan TPL at Valuation Date/risk pool TPL at Valuation Date) * risk pool TPL at Measurement Date).

The allocated FNP, the FNP at the Measurement Date that is allocated as described in the preceding paragraph, excludes all additional side fund or additional unfunded liability contributions made by all employers during the measurement period. The additional side fund contributions are added to the individual employer's allocated FNP to get the rate plan's FNP at the Measurement Date.

Allocated employer contributions for each individual rate plan are based on an allocation of the risk pool contributions (excluding additional side fund contributions) using the individual rate plan's proportion of allocated FNP, plus any additional side fund contributions made by the employer for that rate plan. Allocations exclude employer-paid member contributions.

Changes in Proportion

Deferred outflows of resources and deferred inflows of resources include the changes in proportions that result from CalPERS' allocation methodology. Rather than a single proportionate share applied to all components of pension expense, the CalPERS' method applies different employer proportions to various pension-related items such as FNP and TPL. This adjustment reconciles the differences in proportions for these various items with the rate plan's change in NPL during the measurement period.

Deferred outflows of resources and deferred inflows of resources relating to changes in proportions are amortized as a component of pension expense over the expected average remaining service lifetime of the membership of the plan as a whole as of the Valuation Date, with the first portion recognized in pension expense in the year measured. The remaining balance will be recognized in pension expense in future periods.

NOTE 8 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

Changes in Proportion (Continued)

As of June 30, 2021, the District reported other amounts for the Plan as deferred outflows of resources and deferred inflows of resources related to pensions as follows:

Water Operations	Deferred Outflows of Resources Water	Deferred Inflows of Resources Water
Pension Contributions Subsequent to Measurement Date	$ 39,482	$ -
Differences between Actual and Expected Experience	2,604	-
Changes in Assumptions	-	338
Net Differences between Projected and Actual Earnings on Plan Investments	1,501	-
Differences between Employer's Contributions and Proportionate Share of Contributions	21,883	-
Changes in Employer's Proportion	19,730	-
Total	$ 85,200	$ 338

Sewer Operations	Deferred Outflows of Resources Sewer	Deferred Inflows of Resources Sewer
Pension Contributions Subsequent to Measurement Date	$ 21,260	$ -
Differences between Actual and Expected Experience	1,154	-
Changes in Assumptions	-	182
Net Differences between Projected and Actual Earnings on Plan Investments	1,226	-
Differences between Employer's Contributions and Proportionate Share of Contributions	7,105	-
Changes in Employer's Proportion	7,596	-
Total	$ 38,341	$ 182

Combined Total	Deferred Outflows of Resources Total	Deferred Inflows of Resources Total
Pension Contributions Subsequent to Measurement Date	$ 60,742	$ -
Differences between Actual and Expected Experience	3,758	-
Changes in Assumptions	-	520
Net Differences between Projected and Actual Earnings on Plan Investments	2,727	-
Differences between Employer's Contributions and Proportionate Share of Contributions	28,988	-
Changes in Employer's Proportion	27,326	-
Total	$ 123,541	$ 520

NOTE 8 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

Net Differences Between Projected and Actual Earnings on Plan Investments

The difference between projected and actual earnings on the risk pool's pension investments is determined using the difference between the assumed investment return (using actual asset outflows and inflows) and actual earnings of the risk pool. The employer rate plan's proportional amount of this difference is based on its portion of the risk pool's FNP determined as of the Valuation Date.

Deferred outflows of resources and deferred inflows of resources relating to the net difference between projected and actual earnings on plan investments are recognized in pension expense over a fixed 5-year period, with the first portion recognized in pension expense in the year measured. The remaining balance will be recognized in pension expense in the next four periods.

The deferred outflows of resources in the amount of $60,742 related to pensions resulting from the District contributions subsequent to the actuary measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2021.

District amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Amount
2022	$ 29,861
2023	20,512
2024	10,307
2025	1,599
Total	$ 62,279

Allocation of Pension Expense/(Credit) Excluding Employer-Paid Member Contributions

Service Cost

The rate plan's service cost is based on the risk pool's net service cost rate plus the employer rate plan's service cost surcharges calculated using output from the Actuarial Valuation System. This service cost rate, including surcharges, is applied to the employer's covered payroll (pensionable salaries) as of the Valuation Date and rolled forward to the Measurement Date using the risk pool's payroll growth assumption. The total amount is recognized immediately.

Interest on the Total Pension Liability

Interest on the TPL includes a full year's interest on the risk pool's TPL at the Valuation Date and a half year's interest on the risk pool's service cost and actual benefit payments. The employer rate plan's portion of this amount is based on the employer rate plan's proportion of the risk pool's TPL determined as of the valuation date. The amount is recognized immediately in pension expense.

Employee Contributions

Actual employee contributions made during the measurement period are immediately recognized in pension expense. Each employer rate plan receives an allocation of any contributions made by employees participating in new rate plans that were not included in the June 30, 2019 funding valuation. This allocation is based on each existing employer rate plan's proportion of the risk pool's total employee contributions (excluding employee contributions for the new rate plans).

NOTE 8 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

Employee Contributions (Continued)

Also refer to the CalPERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS' website under the GASB Statement No. 68 section for more details.

ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021, which can be found on CalPERS' website, and the CalPERS' GASB Statement No. 68 Actuarial Valuation Report for the respective employer rate plan, which is available upon request from CalPERS.

The District's NPL is measured as the TPL, less the Plan's FNP. The NPL of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. A summary of principal assumptions and methods used to determine the NPL is shown below.

Actuarial Assumptions – The TPLs in the June 30, 2019 and the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service (1)
Mortality	Derived using CalPERS' Membership Data for all Funds (2)

(1) Depending on age, service, and type of employment.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the PERF. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher TPL and NPL CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

NOTE 8 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION (Continued)

CalPERS completed its most recent Asset Liability Management (ALM) review cycle in November 2021 and adopted new actuarial assumptions but did not have any changes to the current discount rate.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 [a]	Real Return Years 11+ [b]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

[a] An expected inflation of 2.0% used for this period.

[b] An expected inflation of 2.92% used for this period.

NOTE 8 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION (Continued)

Sensitivity of the Proportionate Share of the NPL to Changes in the Discount Rate The following presents the District's proportionate share of the NPL for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous
1% Decrease (6.15%) Net Pension Liability	$ 170,873
Current Discount Rate (7.15%) Net Pension Liability	$ 72,929
1% Increase (8.15%) Net Pension Liability (Asset)	$ (8,000)

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 – RESTATEMENTS

The beginning net position was restated as follows:

	Water Operations	Sewer Operations	Total Combined
Net Position, Beginning, as previously reported	$ 15,216,437	$ 7,063,873	$ 22,280,310
Adjustment of property taxes receivable from prior years	(94,630)	(46,294)	(140,924)
Adjustment of interest receivable accrual from prior years	(12,746)	(6,863)	(19,609)
Adjustment of loan payable payment	18,746	-	18,746
Net Position, Beginning as Restated	$ 15,127,807	$ 7,010,716	$ 22,138,523

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 20, 2022, the date on which the financial statements were available to be issued.

On July 1, 2021, the District entered into an installment purchase contract to refinance the certificates of participation to reduce the interest rate and to shorten the term of the loan.

On March 22, 2022, the Board approved a 457 Deferred Compensation Plan for employees who choose to participate.

REQUIRED SUPPLEMENTARY INFORMATION

LAMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2021
LAST 10 YEARS*

	2021	2020	2019	2018
District's Proportion of the Net Pension Liability	0.00173%	0.00127%	0.00088%	0.00092%
District's Proportionate Share of the Net Pension Liability	$ 72,929	$ 50,680	$ 33,137	$ 36,276
Covered Payroll	$ 757,940	$ 743,760	$ 698,534	$ 662,234
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	9.62%	6.81%	4.74%	5.48%
Plan's Fiduciary Net Position	$ 18,920,437,526	$ 17,984,188,264	$ 16,891,153,209	$ 16,016,547,402
Plan's Total Pension Liability	$ 14,702,361,183	$ 13,979,687,268	$ 13,122,440,092	$ 12,074,499,781
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	128.69%	128.65%	128.72%	132.65%

	2017	2016	2015
District's Proportion of the Net Pension Liability	0.00064%	-0.00046%	0.00006%
District's Proportionate Share of the Net Pension Liability	$ 22,182	$ 22,182	$ 3,472
Covered Payroll	$ 651,091	$ 688,350	$ 712,962
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	3.41%	3.22%	0.49%
Plan's Fiduciary Net Position	$ 14,397,353,530	$ 14,397,353,530	$ 13,639,503,084
Plan's Total Pension Liability	$ 10,923,476,287	$ 10,923,476,287	$ 10,896,036,068
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	131.80%	131.80%	125.18%

* This is a 10 year schedule. Information in this schedule is not available prior to 2015. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

See accompanying notes to required supplementary information.

LAMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2021
LAST 10 YEARS*

	2021	2020	2019	2018
Contractually Required Contribution (Actuarially Determined)	$ 54,162	$ 46,581	$ 34,236	$ 31,441
Contributions in Relation to the Actuarially Determined Contributions	54,162	46,581	34,236	31,441
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 757,940	$ 743,760	$ 698,534	$ 662,234
Contributions as a Percentage of Covered Payroll	7.15%	6.26%	4.90%	4.75%

	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	$ 26,933	$ 26,933	$ 15,841
Contributions in Relation to the Actuarially Determined Contributions	26,933	26,933	15,841
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 651,091	$ 688,350	$ 712,962
Contributions as a Percentage of Covered Payroll	4.14%	3.91%	2.22%

* This is a 10 year schedule. Information in this schedule is not available prior to 2015. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

See accompanying notes to required supplementary information.

A. Proportionate Share of the Net Pension Liability

Change in Benefit Terms

The District can make changes to the plan provisions and such changes occur on an ongoing basis. There were no changes to the benefit terms during the year.

Change of Assumptions and Methods

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five- year ramp-up and ramp-down on UAL based attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes will apply only to a new UAL bases established on or after June 30, 2019. In fiscal year 2019-2020, no changes occurred to the actuarial assumption in relation to financial reporting.

In fiscal year 2018-19, CalPERS implemented a new actuarial valuation software system for the June 30, 2018, valuation. This new system has refined and improved calculation methodology.

In December 2017, the Board adopted new mortality assumptions. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. For financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2017-18.

In fiscal year 2016-17, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent. In December 2016, the Board approved lowering the funding discount rate from 7.50 percent to 7.00 percent, which is to be phased in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

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
Lamont Public Utility District
Lamont, 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 financial statements of Lamont Public Utility District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as item 2021-1 – Year-End Close and Financial Reporting, to be a material weakness.

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10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Report on Compliance and Other Matters

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

District Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's responses were 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

Brown Armstrong
Accountancy Corporation

Bakersfield, California
April 20, 2022

LAMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2021-1 – Year-End Close and Financial Reporting

Criteria: A strong system of internal controls requires that management have proper oversight over the year- end close to ensure the general ledger account balances are reconciled to the subsidiary ledger on a periodic basis, as well as during the year-end financial close process in order to accurately and completely close the general ledger in a timely manner. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Condition: During the audit of the Lamont Public Utility District's (the District) financial statements, we identified several account balances that had not been reconciled, year-end accruals not performed, and other accounts not analyzed, which caused delays in the completion of the District's audit and necessitated the proposal of various audit adjustments. We also noted the District does not require another responsible individual to review and authorize the year-end close journal entries to ensure they are properly recorded. As a result, we noted various errors in journal entries posted, which caused additional proposed audit adjustments to correct the errors.

Cause of the Condition: The District's Accounting Manager position was vacant for several months due to the death of the current finance manager at that time. The District contracted a consultant, who had the credentials of a CPA yet could not perform as his credentials indicated, to assist with the accounting until the position was permanently filled. Given the lack of skill sets, this created problems in the proper closing of year end accounts.

Effect or Potential Effect of Condition: Various accounts in the financial statements were not entered properly; subsidiary ledgers were not updated; and the general ledger needed additional journal entries. Several journal entries were posted subsequent to receiving the District's trial balance. Delays in the audit process were caused by the lack of journal entries.

Recommendation: We recommend the District consider the following steps in order to address and correct the findings described above:

1) Create a closing checklist to assist with the preparation of audit schedules that are complete, accurate, and reconciled to the District's general ledger account balances. Additionally, ensure there is oversight over this process to ensure it is performed in a timely manner.

2) Provide additional training in governmental accounting to staff in order to ensure they are current with all financial accounting and reporting requirements.

3) Contract an outside certified public accountant (CPA) with Governmental Accounting experience to review the general ledger on a monthly basis and ensure the subsidiary ledgers are updated and reconciled to the general ledger. The outside CPA would assist with the year-end close to ensure all accruals are posted correctly and accounts analyzed and adjusted as needed. This individual would also review and authorize journal entries that are prepared by District staff, which would strengthen controls over the journal entry process.

Management Response: LPUD management staff had already taken the necessary steps to address numbers 1, 2, and 3 above. Management has made the necessary corrections and taken the steps to rectify the above comments even before this audit was complete. We paid a third party CPA firm other than Brown and Armstrong to provide training to staff and assist in year-end closing. Items 1, 2, and 3 above are no longer issues or findings within LPUD.

LAMONT PUBLIC UTILITY DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021

There were no findings and recommendations for the year ended June 30, 2020.