LAMONT PUBLIC UTILITY DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

LAMONT PUBLIC UTILITY DISTRICT
ORGANIZATION DATA
JUNE 30, 2020

BOARD OF DIRECTORS

ELECTED OFFICERS

Miguel Sanchez, President

Jesus Alonso, Vice-President

Roberto Gonzalez, Director

T. Javier Prado, Director

Jose G. Cruz, Director

ADMINISTRATION

Scott Taylor, General Manager / Board Secretary

Brent Walker, Finance Manager

LAMONT PUBLIC UTILITY DISTRICT
JUNE 30, 2020

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Net Position	7
Statement of Cash Flows – Combined Total	8
Notes to Financial Statements	9
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability	25
Schedule of Contributions	26
Other Independent Auditor's Report	
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*	27
Findings and Recommendations Section	
Schedule of Findings and Responses	29
Status of Prior Year Findings and Responses	30

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG
Certified Public Accountants

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, 2020; 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 OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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, 2020, 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 December 3, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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
December 3, 2020

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, 2020. 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.

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 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, 2020

- 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, 2020, include $6,997,963 in cash and investments, maintained in commercial banks and the Local Agency Investment Fund.

- Operating revenues for the year ended June 30, 2020, consisted primarily of water and sewer service charges. Operating revenues decreased slightly, mainly due to decreases in capacity and connection fees, as well as other revenues.

Condensed Financial Statements

	2020	2019	2020 vs 2019 Variance
Current and other assets	$ 7,279,623	$ 6,327,738	$ 951,885
Capital assets, net	22,565,134	22,128,811	436,323
Deferred outflows of resources	116,969	93,944	23,025
Total assets and deferred outflows of resources	$ 29,961,726	$ 28,550,493	$ 1,411,233
Current liabilities	$ 795,727	$ 775,924	$ 19,803
Long-term liabilities	6,883,674	7,379,364	(495,690)
Deferred inflows of resources	2,015	1,358	657
Total liabilities and deferred inflows of resources	7,681,416	8,156,646	(475,230)
Net position	22,280,310	20,393,847	1,886,463
Total liabilities, deferred inflows of resources, and net position	$ 29,961,726	$ 28,550,493	$ 1,411,233

	2020	2019	2020 vs 2019 Variance
Operating revenues	$ 5,557,048	$ 3,416,082	$ 2,140,966
Operating expenses	4,042,703	3,643,052	399,651
Operating loss	1,514,345	(226,970)	1,741,315
Nonoperating revenues (expenses)			
Rents and leases	74,508	62,442	12,066
All other revenues	518,930	488,684	30,246
Interest expense	(221,320)	(237,949)	16,629
Net nonoperating revenues (expenses)	372,118	313,177	58,941
Income (loss) after other revenues	1,886,463	86,207	1,800,256
Prior period adjustment	-	87,218	(87,218)
Change in net position	$ 1,886,463	$ 173,425	$ 1,713,038

Capital Assets and Long-Term Debt

During the year ended June 30, 2020, the District added approximately $1,614,824 in additions to water and sewage systems assets and an increase of $1,694,502 in construction in progress.

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 net pension liability.

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.

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, 2020

	Water Operations	Sewer Operations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and investments (Note 2)	$ 5,190,762	$ 1,807,201	$ 6,997,963
Receivables			
Accounts, net	10,651	18,948	29,599
Interest	12,746	6,863	19,609
Prepaid expenses	57,747	33,781	91,528
Total current assets	5,271,906	1,866,793	7,138,699
Property and equipment, net (Note 3)	12,559,133	10,006,001	22,565,134
Other assets			
Assessments receivable	94,630	46,294	140,924
Total assets	17,925,669	11,919,088	29,844,757
Deferred outflows of resources			
Pension outflows	81,293	35,676	116,969
Total assets and deferred outflows of resources	$ 18,006,962	$ 11,954,764	$ 29,961,726
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities			
Current maturities of long-term debt (Note 7)	$ 241,111	$ 272,121	$ 513,232
Accounts payable	113,445	20,171	133,616
Accrued interest payable	5,121	45,459	50,580
Deposits	-	476	476
Accrued payroll and compensated absences	63,555	34,268	97,823
Total current liabilities	423,232	372,495	795,727
Long-term liabilities			
Net pension liability	34,051	16,629	50,680
Certificates of participation, less current maturities (Notes 4 and 7)	-	3,778,000	3,778,000
Bonds payable, less current maturities (Notes 5 and 7)	-	326,000	326,000
Loan payable, less current maturities (Notes 6 and 7)	2,331,371	397,623	2,728,994
Total long-term liabilities	2,365,422	4,518,252	6,883,674
Total liabilities	2,788,654	4,890,747	7,679,401
Deferred inflows of resources			
Pension inflows	1,871	144	2,015
Total liabilities and deferred inflows of resources	2,790,525	4,890,891	7,681,416
Net position			
Net investment in capital assets	9,892,290	5,326,618	15,218,908
Unrestricted	5,324,147	1,737,255	7,061,402
Total net position	15,216,437	7,063,873	22,280,310
Total liabilities, deferred inflows of resources, and net position	$ 18,006,962	$ 11,954,764	$ 29,961,726

See Notes to Financial Statements.

LAMONT PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	Water Operations	Sewer Operations	Total
Operating revenues			
Water	$ 3,235,075	$ -	$ 3,235,075
Sewer	-	1,895,443	1,895,443
Capacity and connection fees	310,550	97,684	408,234
Other (meter rents, deposit forfeiture, etc.)	17,782	514	18,296
Total operating revenues	3,563,407	1,993,641	5,557,048
Operating expenses			
General and administration	978,248	573,530	1,551,778
Power	624,005	42,868	666,873
Repairs and maintenance	277,423	59,885	337,308
Depreciation	581,608	853,115	1,434,723
Other (contract services, lab fees, chemicals, etc.)	46,267	5,754	52,021
Total operating expenses	2,507,551	1,535,152	4,042,703
Operating profit	1,055,856	458,489	1,514,345
Nonoperating revenues and expenses			
Taxes and assessments	102,207	250,429	352,636
Rents and leases	600	73,908	74,508
Interest income	97,156	10,332	107,488
Interest expense	(22,169)	(199,151)	(221,320)
Gain on disposal of capital assets	58,806	-	58,806
Total nonoperating revenues and expenses	236,600	135,518	372,118
Profit after other revenue	1,292,456	594,007	1,886,463
Change in net position	1,292,456	594,007	1,886,463
Net position, beginning of year	13,923,981	6,469,866	20,393,847
Net position, end of year	$ 15,216,437	$ 7,063,873	$ 22,280,310

LAMONT PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS – COMBINED TOTAL
FOR THE YEAR ENDED JUNE 30, 2020

	2020
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 5,564,281
Payments to employees	(1,549,542)
Payments to suppliers for goods and services	(1,050,634)
Net cash provided by operating activities	2,964,105
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(1,871,046)
Rental and investment income received	191,593
Net cash used by investing activities	(1,679,453)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Principal payments on long-term debt	(216,477)
Proceeds from long-term debt	(284,733)
Interest payments	(221,320)
Proceeds from property taxes and assessments	352,636
Proceeeds from the sale of property and equipment	58,806
Capital grant income	10,387
Net cash used by capital financing activities	(300,701)
Net increase in cash and investments	983,951
Cash and investments at beginning of year	6,014,012
Cash and investments at end of year	$ 6,997,963

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ 1,514,345
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,434,723
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	7,233
Prepaid expenses	14,446
Deferred outflows of resources	(23,025)
Increase (decrease) in:	
Accounts payable	(8,878)
Deferred inflows of resources	657
Payroll and net pension liabilities	24,604
Net cash provided by operating activities	$ 2,964,105

See Notes to 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 definition of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* 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.

G. 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, 2020, is adequate. However, actual write-offs may exceed the recorded allowance.

H. Property and Equipment

Property and equipment 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.

I. Net Position

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

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

I. Net Position (Continued)

- *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.

J. 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.

K. New Accounting Pronouncements

During the year ended June 30, 2020, the District implemented the following GASB pronouncements:

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance.* The provisions of this standard were effective immediately upon issuance in May 2020, and postponed the effective date of certain other standards.

L. Future Accounting Pronouncements

GASB Statement No. 84 – *Fiduciary Activities.* The provisions of this standard were originally effective for reporting periods beginning after December 15, 2018. GASB Statement No. 95 has postponed the effective date until December 15, 2019. The District will implement the statement when and where applicable.

GASB Statement No. 87 – *Leases.* The provisions of this standard were originally effective for reporting periods beginning after December 15, 2019. GASB Statement No. 95 has postponed the effective date until June 15, 2021. The District will implement the statement when and where applicable.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The requirements of this standard were originally effective for reporting periods beginning after December 15, 2019. GASB Statement No. 95 has postponed the effective date until December 15, 2020. The District will implement the statement when and where applicable.

GASB Statement No. 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The requirements of this standard were originally effective for reporting periods beginning after December 15, 2018. GASB Statement No. 95 has postponed the effective date until December 15, 2019. The District will implement the statement when and where applicable.

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this standard were originally effective for reporting periods beginning after December 15, 2020. GASB Statement No. 95 has postponed the effective date until December 15, 2021. The District will implement the statement when and where applicable.

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

L. Future Accounting Pronouncements (Continued)

GASB Statement No. 92 – *Omnibus 2020.* The requirements of this standard were originally effective for reporting periods beginning after June 15, 2020. GASB Statement No. 95 has postponed the effective date until June 15, 2021. The District will implement the statement when and where applicable.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The requirements of this standard were originally effective for reporting periods beginning after June 15, 2020. GASB Statement No. 95 has postponed the effective date until June 15, 2021. The District will implement the statement when and where applicable.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this standard are effective for reporting periods beginning after June 15, 2022. The District will implement the statement when and where applicable.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this standard are effective for reporting periods beginning after June 15, 2022. The District will implement the statement when and where applicable.

GASB Statement No. 97 – *Certain Component Units Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment to 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 standard are effective for reporting periods beginning after June 15, 2020. The District will implement the statement when and where applicable.

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consist of the following at June 30, 2020:

	Water Operations	Sewer Operations	Total
Deposits with financial institutions	$ 523,818	$ 1,100,110	$ 1,623,928
Local Agency Investment Fund	4,666,944	707,091	5,374,035
Total	$ 5,190,762	$ 1,807,201	$ 6,997,963

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 Local Agency Investment Fund (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.

Disclosures Relating to Interest Rate Risk

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

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Standard & Poor's (S&P) has recently reconfirmed its "AAf" credit rating 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.

Concentration of Credit Risk

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.

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 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.

Fair Value Measurements

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.

The District has the following recurring fair value measurements as of June 30, 2020:

		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	$ 5,374,035			

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended June 30, 2020, is as follows:

Water Operations	Balance June 30, 2019	Additions	Deletions	Adjustments	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	$ 247,559	$ -	$ -	$ -	$ 247,559
Construction in progress	1,398,110	1,322,921	1,438,280	-	1,282,751
Total capital assets, not being depreciated	1,645,669	1,322,921	1,438,280		1,530,310
Depreciable capital assets:					
Water systems (restated)	11,844,087	1,438,280	-	-	13,282,367
Buildings and fixtures - Water	2,982,673	5,643	-	-	2,988,316
Vehicles	97,036	170,631	97,036	-	170,631
Total depreciable capital assets	14,923,796	1,614,554	97,036	-	16,441,314
Less: accumulated depreciation	4,927,919	581,608	97,036	-	5,412,491
Total depreciable capital assets, net	9,995,877	1,032,946	-	-	11,028,823
Total capital assets, net	$ 11,641,546	$ 2,355,867	$ 1,438,280	$ -	$ 12,559,133

Depreciation expense for water operations was $581,608 at June 30, 2020.

Sewer Operations	Balance June 30, 2019	Additions	Deletions	Adjustments	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	$ 576,951	$ -	$ -	$ -	$ 576,951
Construction in progress	622,388	371,581	-	-	993,969
Total capital assets, not being depreciated	1,199,339	371,581	-	-	1,570,920
Depreciable capital assets:					
Sewer systems (restated)	15,687,460	-	-	-	15,687,460
Buildings and fixtures - Sewer	1,257,053	270	-	-	1,257,323
Vehicles	41,587	-	41,587	-	-
Total depreciable capital assets	16,986,100	270	41,587	-	16,944,783
Less: accumulated depreciation	7,698,174	853,115	41,587	-	8,509,702
Total depreciable capital assets, net	9,287,926	(852,845)	-	-	8,435,081
Total capital assets, net	$ 10,487,265	$ (481,264)	$ -	$ -	$ 10,006,001

Depreciation expense for sewer operations was $853,115 at June 30, 2020.

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

Combined	Balance June 30, 2019	Additions	Deletions	Adjustments	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	$ 824,510	$ -	$ -	$ -	$ 824,510
Construction in progress	2,020,498	1,694,502	1,438,280	-	2,276,720
Total capital assets, not being depreciated	2,845,008	1,694,502	1,438,280	-	3,101,230
Depreciable capital assets:					
Water systems (restated)	11,844,087	1,438,280	-	-	13,282,367
Sewer systems (restated)	15,687,460	-	-	-	15,687,460
Buildings and fixtures - Water	2,982,673	5,643	-	-	2,988,316
Buildings and fixtures - Sewer	1,257,054	270	-	-	1,257,324
Vehicles	138,623	170,631	138,623	-	170,631
Total depreciable capital assets	31,909,897	1,614,824	138,623	-	33,386,098
Less: accumulated depreciation	12,626,094	1,434,723	138,623	-	13,922,194
Total depreciable capital assets, net	19,283,803	180,101	-	-	19,463,904
Total capital assets, net	$ 22,128,811	$ 1,874,603	$ 1,438,280	$ -	$ 22,565,134

Total depreciation expense was $1,434,723 at June 30, 2020.

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, 2019	Redeemed During Year	COPs Outstanding June 30, 2020
2008 Certificates of Participation	4.125%	5/1/2008	$ 4,561,000	$ 3,927,000	$ 73,000	$ 3,854,000

The certificates mature through 2048 as follows:

Years Ending June 30,	Principal	Interest	Total
2021	$ 76,000	$ 157,410	$ 233,410
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
2026-2030	503,000	659,940	1,162,940
2031-2035	615,000	545,015	1,160,015
2036-2040	753,000	404,394	1,157,394
2041-2045	923,000	232,137	1,155,137
2046-2047	649,000	40,860	689,860
	$ 3,854,000	$ 2,636,171	$ 6,490,171

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, 2020, is as follows:

Bond	Interest Rate	Date of Issue	Amount of Original Issue	Bonds Outstanding June 30, 2019	Redeemed During Year	Bonds Outstanding June 30, 2020
Limited Obligation	4.5%	1/7/1998	$ 2,615,174	$ 624,500	$ 146,000	$ 478,500

The annual requirements to amortize the bonds outstanding as of June 30, 2020, are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	$ 152,500	$ 18,101	$ 170,601
2022	159,500	11,081	170,581
2023	166,500	3,746	170,246
	$ 478,500	$ 32,928	$ 511,428

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, 2020, are as follows:

Years Ending June 30,	Principal	Total
2021	$ 37,491	$ 37,491
2022	37,491	37,491
2023	37,491	37,491
2024	37,491	37,491
2025	37,491	37,491
2026-2030	187,455	187,455
2031-2035	187,462	187,462
	$ 562,372	$ 562,372

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, 2020, was $2,451,355. 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, 2020, are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	$ 247,242	$ 23,899	$ 271,141
2022	249,720	21,420	271,140
2023	252,224	18,917	271,141
2024	254,709	16,431	271,140
2025	141,306	13,835	155,141
2026-2030	1,306,154	29,975	1,336,129
	$ 2,451,355	$ 124,477	$ 2,575,832

NOTE 7 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2020, is as follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year	Due After One Year
Bonds:						
Limited obligation imrprovement bonds	$ 624,500	$ -	$ 146,000	$ 478,500	$ 152,500	$ 326,000
Certificates of participation	3,927,000	-	73,000	3,854,000	76,000	3,778,000
State of California loan	599,863	-	37,491	562,372	37,491	524,881
California Energy Commission loan	2,696,073	-	244,718	2,451,355	247,242	2,204,113
Net pension liability	33,137	17,543	-	50,680	-	50,680
	$ 7,880,573	$ 17,543	$ 501,209	$ 7,396,907	$ 513,233	$ 6,883,674

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The District is a defendant in litigation. Although the outcome of this litigation is not presently determinable, it is the opinion of the District's legal counsel and the District's management that the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 9 – 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 9 – 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 publically available valuation report that can be obtained at the CalPERS website.

Employees Covered

At June 30, 2020, 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	12
Total	12

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 net pension liability, the determination of the employer's proportionate share of the collective net pension liability 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	$ 17,984,188,264
Less: Plan fiduciary net position	13,979,687,268
Net pension liability of employers	$ 4,004,500,996

The net pension liability of the District was $50,680 at June 30, 2020.

NOTE 9 – 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, 2018 (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, 2019 (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 9 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

Changes in Proportion (Continued)

As of June 30, 2020, 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	$ 37,642	$ -
Differences between Actual and Expected Experience	2,446	189
Changes in Assumptions	1,680	1,066
Net Differences between Projected and Actual Earnings on Plan Investments	-	616
Differences between Employer's Contributions and Proportionate Share of Contributions	17,677	-
Changes in Employer's Proportion	21,848	-
Total	$ 81,293	$ 1,871

Sewer Operations	Deferred Outflows of Resources Sewer	Deferred Inflows of Resources Sewer
Pension Contributions Subsequent to Measurement Date	$ 16,520	$ -
Differences between Actual and Expected Experience	1,074	83
Changes in Assumptions	737	(209)
Net Differences between Projected and Actual Earnings on Plan Investments	-	270
Differences between Employer's Contributions and Proportionate Share of Contributions	7,758	-
Changes in Employer's Proportion	9,587	-
Total	$ 35,676	$ 144

Combined Total	Deferred Outflows of Resources Total	Deferred Inflows of Resources Total
Pension Contributions Subsequent to Measurement Date	$ 54,162	$ -
Differences between Actual and Expected Experience	3,520	272
Changes in Assumptions	2,417	857
Net Differences between Projected and Actual Earnings on Plan Investments	-	886
Differences between Employer's Contributions and Proportionate Share of Contributions	25,435	-
Changes in Employer's Proportion	31,435	-
Total	$ 116,969	$ 2,015

NOTE 9 – 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 $54,162 related to pensions resulting from the District contributions subsequent to the actuary measurement date will be recognized as a reduction of the net pension liability 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
2021	$ 34,881
2022	17,692
2023	8,040
2024	179
Total	$ 60,792

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, 2018 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 9 – 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, 2020, 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, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The TPLs in the June 30, 2018 and the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. 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 Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

NOTE 9 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

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 returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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	New Strategic 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 2.5% used for this period.
[b] An expected inflation of 3.0% used for this period.

NOTE 9 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION (Continued)

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

		Miscellaneous
1% Decrease (6.15%) Net Pension Liability	$	133,650
Current Discount Rate (7.15%) Net Pension Liability	$	50,680
1% Increase (8.15%) Net Pension Liability	$	(17,805)

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

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 3, 2020, the date on which the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. At the current time, the District is unable to quantify all the potential effects of this pandemic on the future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.00127%	0.00088%	0.00092%	0.00064%	-0.00046%	0.00006%
District's Proportionate Share of the Net Pension Liability	$ 50,680	$ 33,137	$ 36,276	$ 22,182	$ 22,182	$ 3,472
Covered-Employee Payroll	$ 743,760	$ 698,534	$ 662,234	$ 651,091	$ 688,350	$ 712,962
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	6.81%	4.74%	5.48%	3.41%	3.22%	0.49%
Plan's Fiduciary Net Position	$ 17,984,188,264	$ 16,891,153,209	$ 16,016,547,402	$ 14,397,353,530	$ 14,397,353,530	$ 13,639,503,084
Plan's Total Pension Liability	$ 13,979,687,268	$ 13,122,440,092	$ 12,074,499,781	$ 10,923,476,287	$ 10,923,476,287	$ 10,896,036,068
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	128.65%	128.72%	132.65%	131.80%	131.80%	125.18%

* Fiscal year 2015 was the first year of implementation; therefore, only six years are shown.

LAMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	$ 46,581	$ 34,236	$ 31,441	$ 26,933	$ 26,933	$ 15,841
Contributions in Relation to the Actuarially Determined Contributions	46,581	34,236	31,441	26,933	26,933	15,841
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 743,760	$ 698,534	$ 662,234	$ 651,091	$ 688,350	$ 712,962
Contributions as a Percentage of Covered-Employee Payroll	6.26%	4.90%	4.75%	4.14%	3.91%	2.22%

* Fiscal year 2015 was the first year of implementation; therefore, only six years are shown.

BROWN
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2020.

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 significant deficiencies or material weaknesses, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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*.

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
December 3, 2020

LAMONT PUBLIC UTILITY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

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

LAMONT PUBLIC UTILITY DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

There were no findings for the year ended June 30, 2019.