June Lake Public Utility District
Annual Financial Report
For the Fiscal Year Ended
June 30, 2019

June Lake Public Utility District

Board of Directors as of June 30, 2019

Name	Title	Elected/ Appointed	Current Term
Barbara Miller	President	Elected	11/2022
Bob Strong	Vice-President	Elected	11/2020
Mary Hallum	Director	Elected	11/2022
Doug Smith	Director	Elected	11/2020
Heidi Vetter	Director	Elected	11/2020

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June Lake, California 93529
(760) 648-7778

June Lake Public Utility District

Annual Financial Report

For the Fiscal Year Ended June 30, 2019

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Financial Section

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Independent Auditor's Report

Board of Directors
June Lake Public Utility District
June Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the June Lake Public Utility District (District) as of and for the year ended June 30, 2019, 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 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 an opinion 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; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the June Lake Public Utility District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Emphasis of Matter

As discussed in note 8 to the financial statements, in fiscal year 2019, the beginning position was restated to correct prior year's net pension liability and to include long-term debt that was previously omitted. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, and required supplementary information on pages 33 and 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 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 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. This report can be found on pages 35 and 36.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
August 12, 2020

June Lake Public Utility District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the June Lake Public Utility District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2019, the District's net position increased 0.51% or $30,655 to $6,059,106.
- In fiscal year 2019, the District's total revenues increased 4.72% or $73,843 to $1,638,378. Total operating revenues increased 2.34% or $17,426 to $762,581. Total non-operating revenues increased 6.89% or $56,417 to $875,797.
- In fiscal year 2019, the District's total expenses decreased 6.19% or $106,129 to $1,607,723. Total operating expenses decreased 10.94% or $149,698 to $1,219,197. Total non-operating expenses increased $27,178 to $27,178.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. They also provide the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the 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 if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to questions such as: where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. One can think of the District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows), as one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 13 through 32.

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $6,059,106 as of June 30, 2019.

A portion of the District's net position reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding (77.23% as of June 30, 2019). The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending. See note 6 for further discussion.

At the end of fiscal year 2019, the District showed a positive balance in its unrestricted net position of $714,533.

Condensed Statements of Net Position

	2019	2018	Change
Assets:			
Current assets	$ 2,018,163	1,781,622	236,541
Non-current assets	1,165,081	1,112,922	52,159
Capital assets, net	4,679,296	4,961,054	(281,758)
Total assets	7,862,540	7,855,598	6,942
Deferred outflows of resources	265,410	469,921	(204,511)
Liabilities:			
Current liabilities	414,583	304,097	110,486
Non-current liabilities	1,591,847	1,848,646	(256,799)
Total liabilities	2,006,430	2,152,743	(146,313)
Deferred inflows of resources	62,414	144,325	(81,911)
Net position:			
Net investment in capital assets	4,679,296	4,961,054	(281,758)
Restricted	665,277	774,968	(109,691)
Unrestricted	714,533	292,429	422,104
Total net position	$ 6,059,106	6,028,451	30,655

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2019	2018	Change
Revenues:			
Operating revenues	$ 762,581	745,155	17,426
Non-operating revenues	875,797	819,380	56,417
Total revenues	1,638,378	1,564,535	73,843
Expenses:			
Operating expenses	1,219,197	1,368,895	(149,698)
Non-operating expenses	27,178	-	27,178
Depreciation	361,348	344,957	16,391
Total expenses	1,607,723	1,713,852	(106,129)
Changes in net position	30,655	(149,317)	179,972
Net position, beginning of year, as previously stated	6,028,451	5,948,653	79,798
Prior period adjustment (note 8)	-	229,115	(229,115)
Net position, beginning of year	6,028,451	6,177,768	(149,317)
Net position, end of year	$ 6,059,106	6,028,451	30,655

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal years.

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2019, the District's operating revenues increased 2.34% or $17,426 to $762,581, due primarily to an increase in service charges of $49,193; offset by a decrease in connection fees of $31,368. The District's non-operating revenues increased 6.89% or $56,417 to $875,797, due primarily to an increase an investment earnings of $87,217; offset by a decrease in property taxes of $33,539.

In fiscal year 2019, the District's operating expenses decreased 10.94% or $149,698 to $1,219,197, due primarily to decreases in employee benefits of $102,388 and professional fees and contracted services of $63,502. Non-operating expenses increased by $27,178 to $27,178 due to an increase in interest expense of $27,178.

In fiscal year 2019, the District's net position increased 0.51% or $30,655 to $6,059,106, from continuing operations. See note 6 for further discussion.

Capital Asset Administration

At the end of fiscal year 2019, the District's capital assets amounted to $4,679,296 (net of accumulated depreciation). These capital assets include the water facility, sewer facility, water general plant and sewer general plant. Major capital asset additions during the year include improvements to the sewage facility, water facility and water, general plant.

Capital Asset Administration, continued

Changes in capital assets for 2019, were as follows:

	Balance 2018	Additions/ Transfers	Deletions/ Transfers	Balance 2019
Capital assets:				
Depreciable assets	$ 14,779,834	79,590	-	14,859,424
Accumulated depreciation	(9,818,780)	(361,348)	-	(10,180,128)
Total capital assets, net	$ 4,961,054	(281,758)	-	4,679,296

Debt Administration

Changes in long-term debt in 2019, were as follows:

	Balance 2018	Additions/ Transfers	Principal Payments	Balance 2019
Bonds Payable	$ 570,000	-	(170,000)	400,000
Total long-term debt	$ 570,000	-	(170,000)	400,000

Conditions Affecting Current Financial Position

Management does not foresee any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 2380 Highway 158, June Lake, California 93529.

Basic Financial Statements

June Lake Public Utility District
Statement of Net Position
June 30, 2019

		2019
Current assets:		
Cash and cash equivalents (note 2)	$	1,231,372
Cash and cash equivalents – restricted (note 2)		665,277
Accrued interest receivable		14,303
Accounts receivable – water sales, net		103,965
Other assets		3,246
Total current assets		2,018,163
Non-current assets:		
Investments		1,165,081
Capital assets – depreciable assets, net (note 3)		4,679,296
Total non-current assets		5,844,377
Total assets		7,862,540
Deferred outflows of resources:		
Deferred outflows – pensions (note 7)		265,410
Total deferred outflows of resources	$	265,410

See accompanying notes to the basic financial statements

Continued on next page

June Lake Public Utility District
Statement of Net Position, continued
June 30, 2019

		2019
Current liabilities:		
Accounts payable and accrued expenses	$	73,262
Accrued wages and related payables		12,094
Compensated absences (note 4)		71,148
Customer advances and deposits		18,079
Long-term liabilities – due within one year:		
Bond payable (note 5)		240,000
Total current liabilities		414,583
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Bond payable (note 5)		160,000
Net pension liability (note 7)		1,198,188
USFS funds		233,659
Total non-current liabilities		1,591,847
Total liabilities		2,006,430
Deferred inflows of resources:		
Deferred inflows – pensions (note 7)		62,414
Total deferred inflows of resources		62,414
Net position: (note 6)		
Net investment in capital assets		4,679,296
Restricted		665,277
Unrestricted		714,533
Total net position	$	6,059,106

See accompanying notes to the basic financial statements

June Lake Public Utility District
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

		2019
Operating revenues:		
Service charges	$	733,526
Connection fees		22,956
Deliquent charges		5,935
Inspection fees		164
Total operating revenues		762,581
Operating expenses:		
Salaries and wages		434,262
Employee benefits		335,124
Vacation/holiday/sick leave		55,467
Director fees		3,900
Professional fees and contracted services		115,111
Maintenance and repairs		3,625
Office expenses		6,117
General insurance		20,947
Rents and leases		3,600
Communication		14,735
Utilities		93,270
Small tools and supplies		60,813
Dues and subscriptions		43,977
Publications		38
Travel		3,836
USFS maintenance		8,325
Gas and fuel		14,896
Other		1,154
Total operating expenses		1,219,197
Operating loss before depreciation		(456,616)
Depreciation		(361,348)
Operating loss	$	(817,964)

See accompanying notes to the basic financial statements

Continued on next page

June Lake Public Utility District
Statement of Revenues, Expenses, and Changes in Net Position, continued
For the Fiscal Year Ended June 30, 2019

		2019
Non-operating revenue(expense):		
Property taxes	$	781,936
Cell tower income		13,739
Investment earnings		80,122
Interest expense		(27,178)
Total non-operating revenues, net		848,619
Changes in net position		30,655
Net position, beginning of year, as restated (note 8)		6,028,451
Net position, end of year	$	6,059,106

See accompanying notes to the basic financial statements

June Lake Public Utility District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

		2019
Cash flows from operating activities:		
Cash receipts from customers for water sales	$	782,617
Cash received for grants		7,290
Cash paid to employees for salaries and wages		(720,925)
Cash paid to vendors and suppliers for materials and services		(356,980)
Net cash used in operating activities		(287,998)
Cash flows from non-capital financing activities:		
Proceeds from cell tower income		13,739
Proceeds from property taxes		781,936
Net cash provided by non-capital financing activities		795,675
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(79,590)
Principal paid on long-term debt		(170,000)
Interest paid on long-term debt		(27,178)
Net cash used in capital and related financing activities		(276,768)
Cash flows from investing activities:		
Interest earnings		17,912
Net cash provided by investing activities		17,912
Net increase in cash and cash equivalents		248,821
Cash and cash equivalents, beginning of year		1,647,828
Cash and cash equivalents, end of year	$	1,896,649
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	$	1,231,372
Cash and cash equivalents – restricted		665,277
Total cash and cash equivalents	$	1,896,649

Continued on next page

See accompanying notes to the basic financial statements

June Lake Public Utility District
Statement of Cash Flows, continued
For the Fiscal Year Ended June 30, 2019

		2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(817,964)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		361,348
Change in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – water sales, net		15,186
Accounts receivable – grant		7,290
Other assets		(145)
Deferred outflows – pensions		204,511
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses		34,617
Accrued wages and related payables		3,769
Customer advances and deposits		4,850
Compensated absences		(2,750)
Net pension liability		(19,691)
USFS funds		2,892
Deferred inflows – pensions		(81,911)
Total adjustments		529,966
Net cash used in operating activities	$	(287,998)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The June Lake Public Utility District (District) was setup to provide water distribution and sewage disposal services for the residents and businesses of the June Lake area in 1947. The District's treatment facilities were constructed in 1972. The District acquired the Down-Canyon water systems from Williams Tract County Water District in April of 1990. The District is governed by a five-member Board of Directors who serves overlapping four-year terms.

For financial reporting purposes, the June Lake PUD's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments, agencies, and those authorities that are considered an integral part of the District's activities. Component units are legally separate organizations for which the District's elected officials are financially accountable. The District's component unit has a June 30 year-end.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: (1) the ability of the District to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. When the District does not appoint a voting majority of an organization's governing body, the GASB requires inclusion in the reporting entity based on financial accountability if: 1) the organization is both fiscally dependent on the District and there is the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District; or 2) it would be misleading to exclude the organization.

Blended Component Unit

The June Lake Public Financing Authority (the ″Authority″) is a joint exercise of powers authority established pursuant to that certain Joint Exercise of Powers Agreement dated as of March 2, 2001, by and between the District and the Auburn Valley Community Services District. The Agreement was entered in to pursuant to the provision of Articles 1 through 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with §6500. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting the District in financing capital projects. The Authority is governed by a five (5) member board of directors that is the Board of Directors of the District (the "Board"). Since the Authority provides financing services solely to the District, these financial transactions are reported as part of the primary government using the blended method.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

5. Property Taxes and Assessments

Property taxes attach an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1, and are payable in two installments, on December 10 and April 10. The County of Mono Assessor's Office assesses all real and personal property within the County each year. The County of Mono Tax Collector's Office bills and collects the District's share of property taxes. The County of Mono Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Mono, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $1,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of 5 to 40 years.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

8. Compensated Absences

The District's policy is to permit employees to accumulate earned comprehensive leave up to four hundred and fifty hours. Upon termination of employment, employees are paid all unused comprehensive leave.

9. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

10. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, are included in this component of net position.

- *Restricted component of net position* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- *Unrestricted component of net position* – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

(2) Cash and Cash Equivalents

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

		2019
Cash and cash equivalents	$	1,231,372
Cash and cash equivalents - restricted		665,277
Investments		1,165,081
Total	$	3,061,730

(2) Cash and Cash Equivalents, continued

Cash and investments as of June 30, consist of the following:

		2019
Petty Cash	$	50
Deposits with bank		768,243
Local agency investment fund		1,128,356
Investments		1,165,081
Total	$	3,061,730

As of June 30, the District's authorized deposit had the following maturities:

	2019
Deposits in California Local Agency Investment Fund (LAIF)	173 days

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF 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 an amortized cost basis.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of $1,000.
- Withdrawals of $10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

(2) Cash and Cash Equivalents, continued

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District's deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation ("FDIC") or are collateralized as required by States of the State. As of June 30, 2019, the carrying amount of the District's bank deposits was $1,890,727, and the respective bank balances totaled $768,243. Of the total bank balance, $1,622,954 was insured through the FDIC. The remaining $267,773 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the District.

Custodial credit risk for an investment, is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's $1,165,081 investment securities are held by the investment's counterparty.

There is a risk that, in the event of a counterparty failure, the District's investments may not be returned. As of June 30, 2019, the carrying amount of the District's investments was $1,165,081. Of the total investment balance, $500,000 was insured through the Securities Investor Protection Corporation ("SIPC"). The remaining $665,081 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the District.

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. One of the ways that the District can manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

(2) Cash and Cash Equivalents, continued

As of June 30, 2019, the District investments are scheduled to mature as follows:

		Remaining Maturity	
Investment Type	Amount	12 Months or Less	More than 12 Months
California local agency investment fund	$ 1,128,356	1,128,356	-
Total investment fund	1,128,356	1,128,356	-
Money market mutual fund	42,597	42,597	-
Certificate of deposit	1,122,484	-	1,122,484
Total investment	1,165,081	42,597	1,122,484
Total investment fund and investment	$ 2,293,437	1,170,953	1,122,484

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. Presented below is the minimum rating required by the California Government Code (where applicable), the District's investment policy, or debt agreements, and the actual rating as of the years ended for each investment type.

Credit ratings as of June 30, 2019, were as follows:

Investment Type	Minimum Legal Rating	Amount
California Local Agency Investment Fund	N/A	$ 1,128,356
Total investment fund		1,128,356
Money market	N/A	42,597
Certificate of deposit	N/A	1,122,484
Total investment		1,165,081
Total investment fund and investment		$ 2,293,437

(3) Capital Assets

The changes in capital assets for 2019, were as follows:

	Balance 2018	Additions/ Transfers	Deletions/ Transfers	Balance 2019
Depreciable assets:				
Sewage facility	$ 5,450,321	19,678	-	5,469,999
Water facility	8,671,967	41,612	-	8,713,579
Sewage general plant	325,658	-	-	325,658
Water general plant	331,888	18,300	-	350,188
Total depreciable assets	14,779,834	79,590	-	14,859,424
Accumulated depreciation:				
Sewage facility	(4,822,466)	(136,750)	-	(4,959,216)
Water facility	(4,567,255)	(217,839)	-	(4,785,094)
Sewage general plant	(305,588)	(3,257)	-	(308,845)
Water general plant	(123,471)	(3,502)	-	(126,973)
Total accumulated depreciation	(9,818,780)	(361,348)	-	(10,180,128)
Total depreciable assets, net	4,961,054	(281,758)	-	4,679,296
Total capital assets, net	$ 4,961,054			4,679,296

Major capital assets additions during the year include improvements to the District's water systems.

(4) Compensated Absences

The changes in compensated absences balance in 2019, were as follows:

Balance 2018	Additions	Deletions	Balance 2019
$ 73,898	43,973	(46,723)	71,148

(5) Long-Term Debt

The changes in long-term debt in 2019, were as follows:

		Balance 2018	Additions/ Transfers	Principal Payments	Balance 2019
Bonds Payable:					
Local Agency Refunding Revenue Bond	$	345,000	-	(100,000)	245,000
2001 Limited Obligation Improvement Bond		225,000	-	(70,000)	155,000
Total long-term debt		570,000	-	(170,000)	400,000
Current portion		(170,000)			(240,000)
Non-current portion	$	400,000			160,000

(6) Net Position

Calculation of net position as of June 30, were as follows:

		2019
Net investment in capital assets:		
Capital assets, net	$	4,679,296
Restricted:		
Restricted for USFS		175,946
Restricted for debt		489,331
Total restricted		665,277
Unrestricted:		
Unrestricted net position		714,533
Total net position	$	6,059,106

(7) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively.

Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect as June 30, 2019, are summarized as follows:

	New Classic	**PEPRA**
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	7.952%	6.25%
Required employer contribution rates	11.569%	6.84%

(7) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in rate. Funding contribution for the Plan is determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, contribution recognized as part of pension expense for the Plan were as follows:

	2019
Contribution - employer	$ 95,442

Net Pension Liability

As of the fiscal year ended June 30, 2019, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2019
Proportionate share of net pension liability	$ 1,198,188

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2019, the net pension liability of the Plan is measured as of June 30, 2018 (the measurement date). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 (the valuation date), rolled forward to June 30, 2018, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's changes in proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2018, was as follows:

	Proportionate Share
Proportion – June 30, 2017	0.01228 %
Proportion – June 30, 2018	0.01243
Increase in proportionate share	0.00015 %

(7) Defined Benefit Pension Plan, continued

Deferred Pension Outflows(Inflows) of Resources

For the year ended June 30, 2019, the District recognized pension expense of $116,161. As of the fiscal year ended June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Description	June 30, 2019 Deferred Outflows of Resources	June 30, 2019 Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 108,693	-
Differences between actual and expected experience	30,328	-
Changes in assumptions	103,120	-
Net differences between projected and actual earnings on plan investments	5,924	-
Differences between actual contribution and proportionate share of contribution	-	(62,414)
Net adjustment due to differences in proportions of net pension liability	17,345	-
Total	$ 265,410	(62,414)

For the year ended June 30, 2019, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled $108,693; and other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflow of Resources
2020	$ 96,163
2021	52,467
2022	(43,550)
2023	(10,777)

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation report was determined using the following actuarial assumptions:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumption	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by Entry Age and Service
Mortality table*	Derived using CalPERS membership data
Period upon which actuarial experience survey assumptions were based	1997 - 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter.

* The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) available on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2018, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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+ 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 adjusted to account for assumed administrative expenses.

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

The table below reflects the 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.

As of June 30, 2019, the target allocation and the long-term expected real rate of return by asset class were as follow:

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Year 11+
Global Equity	50.0 %	4.8 %	5.4
Global Fixed Income	28.0	1.0	2.6
Inflation Sensitive	0.0	0.8	1.8
Private Equity	8.0	6.3	7.2
Real Asset	13.0	3.8	4.9
Liquidity	1.0	0.0	-0.9
Total	100.0 %		

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

The following table presents the District's proportionate share of the net pension liability for the Plan calculated using the discount rate, 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.

As of June 30, 2019, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	$ 1,849,837	1,198,188	660,262

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 33 and 34 for the Required Supplementary Information.

(8) Prior Period Adjustment

In fiscal year 2019, the beginning position was restated to correct prior year's net pension liability and to include long-term debt that was previously omitted. As a result, the District recorded a prior period adjustment to net position in the amount of $229,115.

Beginning net position as of June 30, 2018, as previously stated	$	5,799,336
Adjustment to net pension liability		199,290
Long-term debt		29,825
Beginning net position as of June 30, 2018, as restated	$	6,028,451

(9) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2019:

- Property and mobile equipment: $1,000,000,000 per occurrence.
- Boiler & Machinery: $100,000,000 per occurrence.
- Workers' Compensation: $5,000,000 per occurrence.
- Auto Liability: $2,500,000 per occurrence.
- Pollution: $2,000,000 per occurrence.
- General Liability: Various.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* 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.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91, continued

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement are effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 97, continued

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021

(11) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(12) Subsequent Events

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact on the District and the duration cannot be estimated at this time.

Events occurring after June 30, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of August 12, 2020, which is the date the financial statements were available to be issued.

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Required Supplementary Information

June Lake Public Utility District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2019
Last Ten Years*

Defined Benefit Plan

Description		Measurement Date 6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability		0.01243%	0.01228%	0.00579%	0.00635%	0.00701%
District's proportionate share of the net pension liability	$	1,198,188	1,217,879	1,135,765	1,288,472	1,116,702
District's covered-employee payroll	$	469,854	487,594	432,538	298,564	434,759
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		255.01%	249.77%	262.58%	431.56%	256.86%
Plan's fiduciary net position as a percentage of the plan's total pension liability		75.26%	73.31%	74.06%	78.40%	79.82%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Change in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) 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 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

June Lake Public Utility District
Schedules of the Pension Plan Contributions
As of June 30, 2019
Last Ten Years*

Description		Fiscal Years 6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	$	81,133	66,580	156,318	190,338	145,851
Contributions in relation to the actuarially determined contribution		(81,133)	(66,580)	(156,318)	(540,338)	(145,851)
Contribution deficiency(excess)	$	-	-	-	(350,000)	-
District's covered payroll	$	469,854	487,594	432,538	298,564	434,759
Contribution's as a percentage of covered-employee payroll		17.27%	13.65%	36.14%	180.98%	33.55%

Notes to the Schedules of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Report on Internal Controls and Compliance

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Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on the Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Directors
June Lake Public Utility District
June Lake, 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 the June Lake Public Utility District (District), as of and for the year June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 12, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit, we did identify deficiencies in internal control that we consider to be material weaknesses.

Accounting & Finance - Employee Turnover

During the audit of the June 30, 2019 financial statements, we noted that successive employee turnover resulted in undertrained staff being charged with the responsibility for the District's accounting function. Staff's unfamiliarity with accounting principles, District accounting processes, and financial transaction reporting raised concerns of whether District Management possessed the skills, knowledge, and experience necessary to assume responsibility for the District's June 30, 2019 financial statements as required by Generally Accepted Auditing Standards (GAAS). As a result, of our concerns, the District contracted with an experienced Certified Public Accountant to assist the District's 2019 audit. We believe this to be a material weakness within the District internal control structure.

Independent Auditor's Report on Internal Controls Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards, (continued)*

Capital Assets Records

During our audit, we noted that the District does not maintain a detailed schedule of capital assets. Maintaining detailed schedules of capital asset activity is essential to properly track District assets, accumulated depreciation and provide a basis for calculating periodic depreciation expense. A detailed schedule of capital assets would allow the District to assign an expected economic life to each asset group and depreciate assets using a methodology in accordance with generally accepted accounting principles. Currently, the District calculates depreciation based on the total capital asset balance which results inconsistent depreciation expense over time and could possibly result in errors in calculating depreciation on specific assets. We believe this to be a material weakness within the District internal control structure.

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 determination of financial statement amounts. 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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
August 12, 2020