

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

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

**TABLE OF CONTENTS**

	<u>Page</u>
<u>GENERAL INFORMATION</u>	
List of Personnel .....	i
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
<u>Basic Financial Statements</u>	
District-Wide Financial Statements:	
Business-Type Financial Statements:	
Statement of Net Position.....	6
Statement of Activities .....	7
Fund Financial Statements:	
Statement of Net Position – Proprietary Funds .....	8
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	9
Statement of Cash Flows – Proprietary Funds .....	10
Notes to Financial Statements .....	11
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Changes in the District's Net OPEB Liability and Related Ratios.....	26
Schedule of Contributions .....	27
<u>SUPPLEMENTARY INFORMATION AND OTHER REPORTS SECTION</u>	
<u>Supplementary Information</u>	
Schedule of Operating Revenues and Operating Expenses – General Fund .....	28
<u>Other Reports</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	30

## **GENERAL INFORMATION**

**MOJAVE PUBLIC UTILITY DISTRICT  
MOJAVE  
COUNTY OF KERN, CALIFORNIA  
LIST OF PERSONNEL  
JUNE 30, 2021**

OFFICERS

Harold Smith  
Albert Hansen  
DeVon Aller

President  
President Pro Tem  
Secretary-Clerk

DIRECTORS

David W. Adams  
Albert Hansen  
Harold Smith  
Thomas Pear  
Victor M. Yaw

Term expires December 6, 2024  
Term expires December 6, 2024  
Term expires December 2, 2022  
Term expires December 2, 2022  
Term expires December 2, 2022

PERSONNEL

Bee Coy Jr.  
Damian Rickman  
DeVon Aller

General Manager  
Asst. General Manager  
Office Manager

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mojave Public Utility District  
Mojave, California

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Mojave Public Utility District (the District) as of and for the fiscal year ended June 30, 2021, 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 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 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 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 opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 and the required supplementary information on pages 26-27 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 management's discussion and analysis and 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 Supplementary Information*

The Schedule of Operating Revenues and Operating Expenses – General Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records issued to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Revenues and Operating Expenses – General Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
October 19, 2021

**MOJAVE PUBLIC UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

The District was formed on December 19, 1938, according to the provisions of the Public Utility District Act. The District is governed by a Board of Directors consisting of five members.

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

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

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

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

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

### **Overview of the Financial Statements**

This annual financial report consists of two major parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements, including accompanying Notes that explain some of the information in the financial statements and provide more detailed data.

The Basic Financial Statements include two types of statements that present different views of the District:

- ◆ *District-Wide Financial Statements* report information about the District as a whole. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities. These two District-wide statements report the District's net position. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's health or financial position. The statement of activities is reported using the accrual basis of accounting. Revenues and expenses are categorized as either operating or nonoperating based upon definitions provided by the GASB.
- ◆ *Fund Financial Statements* provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending. Some funds are required by State law, and others are established by the District to control and manage money for specific purposes.



## Condensed Financial Information

The District's financial operations remained solid during fiscal year 2020-21. Revenues from water and sewer charges, taxes, and nonoperating revenues were used to pay all operating expenses and debt service obligations.

**Net Position** – Net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, was \$16,639,562.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Assets</b>		
Capital Assets, Net	\$ 9,282,224	\$ 8,176,813
Other Assets	<u>7,902,181</u>	<u>7,111,963</u>
Total Assets	17,184,405	15,288,776
<b>Deferred Outflows of Resources</b>	58,418	21,108
<b>Liabilities</b>		
Current Liabilities	118,968	194,674
Long-Term Liabilities	<u>204,242</u>	<u>268,386</u>
Total Liabilities	323,210	463,060
<b>Deferred Inflows of Resources</b>	280,051	176,660
<b>Net Position</b>		
Net Investment in Capital Assets	9,282,224	6,561,383
Restricted for Operations	953,501	2,185,799
Unrestricted	<u>6,403,837</u>	<u>5,922,982</u>
Total Net Position	<u>\$ 16,639,562</u>	<u>\$ 14,670,164</u>

*Capital Assets, Net* increased by \$1,105,411. For detailed capital asset information, see Note 3 of the financial statements which summarizes additions and deletions.

*Other Assets* – Current assets were \$7,527,926 and noncurrent assets were \$9,656,479. Noncurrent assets included a net other postemployment benefits (OPEB) asset of \$374,255. See Note 5 for further information regarding the OPEB asset.

*Long-Term Liabilities* – This consisted of compensated absences of \$204,242.

*Current Liabilities* – Current liabilities were \$118,968.

*Deferred Outflows and Inflows of Resources* resulted from the implementation of GASB Statement No. 75.

*Net Position – Net Investment in Capital Assets* was \$9,282,224.

*Net Position – Restricted* was \$953,501 for developer fees, grant revenues, and long-term debt.

*Unrestricted Net Position* was \$6,403,837.

**Change in Net Position** – Change in net position for fiscal years 2020 and 2019 was \$1,969,398 and \$1,855,426, respectively.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total Program Revenues	\$ 3,476,031	\$ 3,247,778
Total Program Expenses	(2,063,370)	(1,954,523)
General Revenues	<u>556,737</u>	<u>562,171</u>
Change in Net Position	1,969,398	1,855,426
Net Position, Beginning of Year	14,670,164	12,759,279
Prior Period Adjustment	<u>-</u>	<u>55,459</u>
Net Position, End of Year	<u><u>\$ 16,639,562</u></u>	<u><u>\$ 14,670,164</u></u>

**Analytical Review of Revenues** – The District’s principal source of revenue is from water sales and sewer fees.

**Analytical Review of Expenses** – The District’s principal expenses are water purchases and salaries.

#### **Capital Assets and Debt Administration**

**Capital Assets** – At June 30, 2021, the District had invested \$9,282,224 in capital assets, net of depreciation.

**Long-Term Debt** – At June 30, 2021, the District had no long-term debt outstanding.

#### **Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mojave Public Utility District, 15844 K Street, Mojave, California 93501.

**MOJAVE PUBLIC UTILITY DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 7,207,144
Accounts receivable	280,156
Inventories	16,617
Interest receivable	24,009
Total Current Assets	7,527,926

Noncurrent Assets:

Capital assets not being depreciated:	
Land	221,113
Construction in progress	736,234
Capital assets being depreciated:	
Buildings	250,100
Improvements	10,919,797
Sewer treatment plant	2,872,828
Equipment	1,007,871
Less accumulated depreciation	(6,725,719)
Total Capital Assets, Net of Depreciation	9,282,224
Net OPEB asset	374,255
Total Noncurrent Assets	9,656,479
Total Assets	17,184,405

**DEFERRED OUTFLOWS OF RESOURCES (OPEB)** 58,418

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 17,242,823

**LIABILITIES**

Current Liabilities:

Accounts payable	\$ 85,517
Accrued expense	51
Customers' refundable deposits	33,400

Long-Term Liabilities:

Due within one year:	
Compensated absences	204,242
Total Liabilities	323,210

**DEFERRED INFLOWS OF RESOURCES (OPEB)** 280,051

**NET POSITION**

Net investment in capital assets	9,282,224
Restricted	953,501
Unrestricted	6,403,837
Total Net Position	16,639,562

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** \$ 17,242,823

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

**MOJAVE PUBLIC UTILITY DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Functions / Programs	Expenses	Program Revenues		Net (Expense) and Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Business-Type Activities:					
Water and sewer services	\$ 2,063,370	\$ 2,378,603	-	\$ 1,097,428	\$ 1,412,661
Totals	<u>\$ 2,063,370</u>	<u>\$ 2,378,603</u>	<u>\$ -</u>	<u>\$ 1,097,428</u>	<u>1,412,661</u>
General Revenues:					
Taxes and subventions:					
					\$ 460,984
					46,399
					<u>49,354</u>
					<u>556,737</u>
					1,969,398
					<u>14,670,164</u>
					<u>\$ 16,639,562</u>

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

**MOJAVE PUBLIC UTILITY DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021**

	General Fund	Other Proprietary Funds	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current Assets:			
Cash and cash equivalents	\$ 6,254,643	\$ 952,501	\$ 7,207,144
Accounts receivable	280,156	-	280,156
Inventories	16,617	-	16,617
Interest receivable	23,009	1,000	24,009
Total Current Assets	<u>6,574,425</u>	<u>953,501</u>	<u>7,527,926</u>
Noncurrent Assets:			
Capital assets not being depreciated:			
Land	221,113	-	221,113
Construction in progress	736,234	-	736,234
Capital assets being depreciated:			
Buildings	250,100	-	250,100
Improvements	10,919,797	-	10,919,797
Sewer treatment plant	2,872,828	-	2,872,828
Equipment	1,007,871	-	1,007,871
Less accumulated depreciation	<u>(6,725,719)</u>	<u>-</u>	<u>(6,725,719)</u>
Total Capital Assets, Net of Depreciation	9,282,224	-	9,282,224
Net OPEB asset	<u>374,255</u>	<u>-</u>	<u>374,255</u>
Total Noncurrent Assets	<u>9,656,479</u>	<u>-</u>	<u>9,656,479</u>
Total Assets	<u>16,230,904</u>	<u>953,501</u>	<u>17,184,405</u>
Deferred Outflows of Resources (OPEB)	<u>58,418</u>	<u>-</u>	<u>58,418</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 16,289,322</u></u>	<u><u>\$ 953,501</u></u>	<u><u>\$ 17,242,823</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
Current Liabilities:			
Accounts payable	\$ 85,517	\$ -	\$ 85,517
Accrued expense	51	-	51
Customers' refundable deposits	33,400	-	33,400
Long-Term Liabilities:			
Due within one year:			
Compensated absences	<u>204,242</u>	<u>-</u>	<u>204,242</u>
Total Liabilities	<u>323,210</u>	<u>-</u>	<u>323,210</u>
Deferred Inflows of Resources (OPEB)	<u>280,051</u>	<u>-</u>	<u>280,051</u>
Net Position:			
Net investment in capital assets	9,282,224	-	9,282,224
Restricted	-	953,501	953,501
Unrestricted	<u>6,403,837</u>	<u>-</u>	<u>6,403,837</u>
Total Net Position	<u>15,686,061</u>	<u>953,501</u>	<u>16,639,562</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 16,289,322</u></u>	<u><u>\$ 953,501</u></u>	<u><u>\$ 17,242,823</u></u>

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

**MOJAVE PUBLIC UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund	Other Proprietary Funds	Total
Operating Revenues:			
Water and sewer charges	\$ 2,372,503	\$ 6,100	\$ 2,378,603
Taxes	460,984	-	460,984
Total Operating Revenues	<u>2,833,487</u>	<u>6,100</u>	<u>2,839,587</u>
Operating Expenses:			
Water	998,808	-	998,808
Sewer	98,977	-	98,977
Treatment plant	156,698	-	156,698
General and administrative	808,887	-	808,887
Total Operating Expenses	<u>2,063,370</u>	<u>-</u>	<u>2,063,370</u>
Operating Income	<u>770,117</u>	<u>6,100</u>	<u>776,217</u>
Nonoperating Revenues and Expenses:			
Nonoperating Revenues:			
Grant revenue	-	1,097,428	1,097,428
Interest	35,990	10,409	46,399
Miscellaneous	49,354	-	49,354
Total Nonoperating Revenues	<u>85,344</u>	<u>1,107,837</u>	<u>1,193,181</u>
Income Before Operating Transfers	<u>855,461</u>	<u>1,113,937</u>	<u>1,969,398</u>
Transfers			
Transfers In	2,346,235	-	2,346,235
Transfers Out	-	(2,346,235)	(2,346,235)
Total Transfers	<u>2,346,235</u>	<u>(2,346,235)</u>	<u>-</u>
Net Increase (Decrease) in Net Position	3,201,696	(1,232,298)	1,969,398
Net Position, Beginning of Year	<u>12,484,365</u>	<u>2,185,799</u>	<u>14,670,164</u>
Net Position, End of Year	<u>\$ 15,686,061</u>	<u>\$ 953,501</u>	<u>\$ 16,639,562</u>

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

**MOJAVE PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund	Other Proprietary Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,766,993	\$ 6,100	\$ 2,773,093
Payments to employees (salaries and benefits)	(145,154)	-	(145,154)
Payments to suppliers	(211,275)	(1,615,430)	(1,826,705)
Net Cash Provided (Used) by Operating Activities	<u>2,410,564</u>	<u>(1,609,330)</u>	<u>801,234</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	-	(2,346,235)	(2,346,235)
Other noncapital revenue	49,354	-	49,354
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>49,354</u>	<u>(2,346,235)</u>	<u>(2,296,881)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital funds received	-	2,712,857	2,712,857
Capital expenditures	(763,181)	-	(763,181)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(763,181)</u>	<u>2,712,857</u>	<u>1,949,676</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	35,985	10,410	46,395
Net Increase (Decrease) in Cash and Cash Equivalents	1,732,722	(1,232,298)	500,424
Cash and Cash Equivalents at Beginning of Year	<u>4,521,921</u>	<u>2,184,799</u>	<u>6,706,720</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,254,643</u>	<u>\$ 952,501</u>	<u>\$ 7,207,144</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income	\$ 770,117	\$ 6,100	\$ 776,217
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	388,575	-	388,575
(Increase) decrease in:			
Inventories	(2,541)	-	(2,541)
Accounts receivable	(66,494)	-	(66,494)
Due from other funds	1,417,506	-	1,417,506
Deferred outflows of resources	(37,310)	-	(37,310)
Increase (decrease) in:			
Compensated absences	9,568	-	9,568
Net OPEB asset	(220,759)	-	(220,759)
Accounts payable and other accrued expenses	48,511	(197,924)	(149,413)
Due to other funds	-	(1,417,506)	(1,417,506)
Deferred inflows of resources	103,391	-	103,391
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,410,564</u>	<u>\$ (1,609,330)</u>	<u>\$ 801,234</u>

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

**MOJAVE PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Mojave Public Utility District (the District) was formed December 19, 1938, according to the provisions of the Public Utility District Act, Statutes of 1931, Chapter 560 (General Law No. 6391) now Sections 15501 through 17776 of the Public Utilities Code. The Certificate of Incorporation was received from the Secretary of State on February 6, 1939. The District is governed by a Board of Directors consisting of five members.

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

The accounting policies of the District conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies:

**Basis of Presentation**

The District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. District-Wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include all the financial activities of the District.

The statement of net position presents the financial condition of the business-type activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment is self-financing or draws from the general revenues of the District.

**2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of the enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Basis of Accounting**

The District is accounted for as a Business-Type Activity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, and its financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of related cash flows.



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

### Fund Accounting

The accounting records of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The District's accounts are organized into major and non-major funds as follows:

#### **Major Proprietary Fund:**

The General Fund is the principal operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

#### **Non-Major Proprietary Funds:**

The Developer Fee Fund is used to account for resources received from developer impact fees.

The Grant Fund was established to account for grant funds received from the State of California for the Well No. 9 project.

The Navy Tanks Fund was established to account for grant funds received from the State of California for the Navy Tanks project.

### Cash and Cash Equivalents

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

### Inventories

Inventories are stated at cost not in excess of market value, using the first-in, first-out method. Inventories consist of materials and supplies.

### Capital Assets

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

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

Capital Assets (Continued)

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

<u>Asset Type</u>	<u>Useful Life</u>
Storage Tanks	15 - 40 years
Other Improvements	10 - 40 years
Sewer Treatment Plant	10 - 40 years
Buildings, Office, Steel Buildings	8 - 40 years
Water Plant and Water System	5 - 40 years
Wells	30 years
Fire Hydrants	25 years
Pumps and Electrical Motors	5 - 20 years
Equipment and Furniture	3 - 20 years
Chlorination Equipment	7 years
Vehicles	5 years

Accounts Receivable

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectable, the District writes these amounts off. Uncollectable accounts are analyzed and written off twice a year.

Net Position

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

Net position represents the residual interest in the District's assets after liabilities are deducted. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net Position – Net Investment in Capital Assets – Includes capital assets net of accumulated depreciation or related debt.
- Restricted Net Position – This category presents net position with external restrictions on its use imposed by third parties or 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 purpose.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. Vacation leave is credited on a calendar year basis. The hire date must fall between the 1<sup>st</sup> and the 15<sup>th</sup> to receive credit for that month. If the hire date falls after the 15<sup>th</sup>, the employee does not receive credit for that month. Vacation benefits accrue at the following rates:

<u>Years of Service</u>	<u>Days Per Year</u>
1 - 5	10
6 - 10	15
11 - 15	20
16 - 30	25
30+	30

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

### Compensated Absences (Continued)

As fully explained in Note 7, accumulated employee sick leave benefits are recognized as liabilities of the District.

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

### Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments, December 10 and April 10. The County of Kern bills and collects the property taxes and remits them to the District in installments during the year. Property tax revenues are recognized when levied to the extent that they result in current receivables.

### Use of Estimates in Preparation of Financial Statements

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, liabilities, and disclosures at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Implementation of New Accounting Pronouncements

The following GASB Statements have been implemented in the current financial statements.

Statement No. 84	<i>Fiduciary Activities</i>	The requirements of this statement were effective for fiscal years beginning after December 15, 2019.
Statement No. 90	<i>Majority Equity Interests</i>	The requirements of this statement were effective for reporting periods beginning after December 15, 2019.
Statement No. 97	<i>Certain Component Units Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i>	The requirements of this statement were applicable for reporting periods beginning after June 15, 2020.

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

Future GASB Statements

The GASB Statements listed below will be implemented in future financial statements. The District is assessing, but has not yet determined, the effects of the implementation of the standards on its financial statements.

Statement No. 87	<i>Leases</i>	The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019. Statement No. 95 has postponed the effective date until June 15, 2021.
Statement No. 89	<i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i>	The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019. Statement No. 95 has postponed the effective date until December 15, 2020.
Statement No. 91	<i>Conduit Debt Obligations</i>	The requirements of this statement were originally effective for reporting periods beginning after December 15, 2020. Statement No. 95 has postponed the effective date until December 15, 2021.
Statement No. 92	<i>Omnibus 2020</i>	The requirements of this statement were originally effective for reporting periods beginning after June 15, 2020. Statement No. 95 has postponed the effective date until June 15, 2021.
Statement No. 93	<i>Replacement of Interbank Offered Rates</i>	The requirements of this statement were originally effective for reporting periods beginning after June 15, 2020. Statement No. 95 has postponed the effective date until June 15, 2021.
Statement No. 94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	The requirements of this statement are effective for reporting periods beginning after June 15, 2022.
Statement No. 96	<i>Subscription-Based Information Technology Arrangements</i>	The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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

General Cash	
Deposited with Treasurer, County of Kern	\$ 5,256,105
Checking – Mission Bank	771,076
Merchant Account	8,141
Petty Cash	200
	<hr/>
	6,035,522
Developer Fees	
Deposited with Treasurer, County of Kern	809,184
Bond Redemption Cash	
Deposited with Treasurer, County of Kern	185,721
Grant Funds	
Mission Bank	143,317
Trust Cash (Customer Deposits)	
Mission Bank	33,400
	<hr/>
Total Cash and Cash Equivalents	<u>\$ 7,207,144</u>

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

The table below identifies the **investment types** that are authorized for the District by 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** and **credit risk**.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers’ Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**NOTE 2 – CASH AND CASH EQUIVALENTS** (Continued)

**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.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County of Kern Investment Pool	\$ 6,251,010	\$ 6,251,010	\$ -	\$ -	\$ -

**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. Presented below is the minimum rating required by (where applicable) the California Government Code or the District’s investment policy, and the actual rating as of year-end for each investment type. The column marked “exempt from disclosure” identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
County of Kern Investment Pool	\$ 6,251,010	N/A	\$ -	\$ -	\$ -	\$ 6,251,010

**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 did not have any investments for the year ended June 30, 2021, that were classified in this three-tiered fair value hierarchy, as the District’s investments are in banks and the County of Kern Investment Pool. See the County of Kern Comprehensive Annual Report for additional information.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments,

**NOTE 2 – CASH AND CASH EQUIVALENTS** (Continued)**Custodial Credit Risk** (Continued)

other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: None of the District's deposits with financial institutions were in excess of federal depository insurance limits and all deposits were held in collateralized accounts.

**NOTE 3 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity during the fiscal year ended June 30, 2021, is shown below:

	Balances June 30, 2020	Additions	Deletions	Balances June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 221,113	\$ -	\$ -	\$ 221,113
Construction in progress	2,284,730	396,779	1,945,275	736,234
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,505,843</b>	<b>396,779</b>	<b>1,945,275</b>	<b>957,347</b>
Capital Assets, Being Depreciated:				
Buildings	239,767	13,123	2,790	250,100
Improvements	8,722,991	2,734,037	537,231	10,919,797
Sewer treatment plant	2,625,251	260,932	13,355	2,872,828
Equipment	973,481	34,390	-	1,007,871
<b>Total Capital Assets Being Depreciated</b>	<b>12,561,490</b>	<b>3,042,482</b>	<b>553,376</b>	<b>15,050,596</b>
Less Accumulated Depreciation for:				
Buildings	242,421	5,749	2,790	245,380
Improvements	3,781,457	242,465	537,231	3,486,691
Sewer treatment plant	2,237,662	58,752	13,355	2,283,059
Equipment	628,980	81,609	-	710,589
<b>Total Accumulated Depreciation</b>	<b>6,890,520</b>	<b>388,575</b>	<b>553,376</b>	<b>6,725,719</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>5,670,970</b>	<b>2,653,907</b>	<b>-</b>	<b>8,324,877</b>
<b>Total Capital Assets, Net</b>	<b>\$ 8,176,813</b>	<b>\$ 3,050,686</b>	<b>\$ 1,945,275</b>	<b>\$ 9,282,224</b>

Depreciation expense for the year ended June 30, 2021, was \$388,575.

#### **NOTE 4 – RETIREMENT PLAN**

##### Mojave Public Utility District Money Purchase Pension Plan (The Plan)

All employees of the District that are eighteen years of age or older become eligible to participate in the Plan at the end of the six consecutive month period commencing on the date of hire, provided 1,000 hours of service are completed during this period. The District annually contributes 5% of the total annual compensation of all current participants. District employees may contribute the maximum allowable by current tax law. After five years' continuous employment with the District and for each succeeding period of five years' continuous employment up to a total of 25 years, the District will assume the payment of one percent of the employee's contribution to the Plan. The District's contribution to the Plan for the year ended June 30, 2021, was \$108,283.

#### **NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

In addition to the pension benefits described above, the District provides postemployment healthcare benefits to all employees who retire from the District after attaining age 60 and have 20 consecutive years of service with the District. However, eligible employees that have attained the age of 55 and who have 20 consecutive years of service with the District as of August 26, 2010, are also eligible for these same postemployment healthcare benefits.

The GASB Standards for accounting and financial reporting for postemployment benefits other than pensions (OPEB) require the following disclosures in the financial statements related to the retiree medical, dental, and life insurance benefits:

##### A. A Description of the Retiree Medical Insurance Program

Plan Type:	Comprehensive Medical Insurance offered through Anthem Blue Cross and Kaiser Permanente	
Administrator:	Mojave Public Utility District	
Eligibility:	An employee shall become eligible to retire under this plan upon attainment of age 60 as an active member and completion of 20 years of service with the District (those age 55 with 20 years of service on August 26, 2010, shall be grandfathered).	
Cost Sharing:	The District shall pay 50% of premiums for the retiree and his/her spouse at retirement. The District will pay an additional 5% for each year of service beyond 20 years with the District paying 100% of premiums for those with 30 or more years of service at retirement.	

##### B. Retiree Medical and Life Insurance Contributions

Group	Individual	Family
Medical	Varies (0% to 50%)	Varies (0% to 50%)
Dental	N/A	N/A
Life	N/A	N/A

##### C. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



**NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS** (Continued)

C. Actuarial Methods and Assumptions (Continued)

Actuarial Cost Method: Individual Entry Age Normal  
 Discount Rate: 6.50% per annum  
 Healthcare Trend Rates:

Year	Medical	Dental
FY 2013	6.0%	5.5%
FY 2014	5.0%	5.0%
FY 2015	5.0%	5.0%
FY 2016	5.0%	5.0%
FY 2017	5.0%	5.0%
FY 2018	5.0%	5.0%
FY 2019	5.0%	5.0%
FY 2020+	4.5%	N/A

General Inflation Assumption: 2.50% per annum  
 Annual Compensation Increases: 3.00% per annum  
 Actuarial Value of Assets: Market Value

D. Funding Policy

The contribution requirements of plan members and the District are established and may be amended through District ordinances. For the year ending on the June 30, 2021 Measurement Date, total District premiums plus implicit costs for the retiree medical program were \$33,283. The District also made a contribution to an OPEB Trust of \$75,000 for a total contribution during the period of \$108,283.

E. Investment Policy

The chart below shows how the long-term rate of return on assets is developed based on the District's Investment Policy.

**Investment Target Allocation and Expected Long-Term Real Rate of Return**

Asset Class	Target Allocation	Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap	26.50%	Domestic Equity - Large Cap	4.90%
Domestic Equity - Small/Mid Cap	13.00%	Domestic Equity - Small/Mid Cap	5.40%
International Equity - Developed Market	13.00%	International Equity - Developed Market	5.32%
International Equity - Emerging Market	6.50%	International Equity - Emerging Market	6.26%
Domestic Fixed Income	21.75%	Domestic Fixed Income	1.40%
International Fixed Income	8.25%	International Fixed Income	1.30%
Alternatives	3.00%	Alternatives	6.32%
Real Estate	8.00%	Real Estate	6.25%
Cash and Cash Equivalents	0.00%	Cash and Cash Equivalents	0.00%
<b>Total</b>	<b>100.00%</b>		
		I. Real Rate of Return	4.20%
		II. Inflation Assumption	2.50%
		III. Total Nominal Return [I.+II.]	6.70%
		IV. Investment Expense	0.25%
		V. Net Investment Return* [III.-IV.]	6.45%

**NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS** (Continued)

F. Changes in Net OPEB Liability (Asset)

**Changes in Net OPEB Liability (Asset)**

	Increase (Decrease)		
	Total OPEB Liability (TOL)	Plan Fiduciary Net Position	Net OPEB Liability (NOL) Asset
I. Balances for June 30, 2020	\$ 650,131	\$ 803,627	\$ (153,496)
II. Prior Period Adjustment	-	-	-
III. Balances for June 30, 2020 with Adjustment [I. + II.]	650,131	803,627	(153,496)
Changes for the Year:			
IV. Service Cost	14,810	-	14,810
V. Interest on TOL, Service Cost, and Benefit Payments	45,401	-	45,401
VI. Changes in Benefit Terms *	-	-	-
VII. Change in Assumptions **	49,969	-	49,969
VIII. Differences Between Actual and Expected Experience **	-	-	-
IX. Net Investment Income	-	222,656	(222,656)
X. Employer Contributions to Trust	-	108,283	(108,283)
XI. Benefit Payments Withdrawn from Trust	-	(33,283)	33,283
XII. Benefit Payments Excluding Implicit Cost	(33,283)	-	(33,283)
XIII. Implicit Cost Amount	-	-	-
XIV. Total Benefit Payments Including Implicit Cost [XII.+XIII.]	(33,283)	-	(33,283)
XV. Administrative Expense	-	-	-
XVI. Other Charges	-	-	-
XVII. Net Changes [IV.+V.+VI.+VII.+VIII.+IX.+X.+XI.+XIV.+XV.+XVI.]	76,897	297,656	(220,759)
XVII. Balances at June 30, 2021 [III.+XVII.]	<u>\$ 727,028</u>	<u>\$ 1,101,283</u>	<u>\$ (374,255)</u>

\* Recognized immediately

\*\* Amortized over 7 years

**NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS** (Continued)**G. Effect of 1% Change in Healthcare Trend**

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the TOL would increase to \$855,523 or by 17.7% and the NOL (Asset) would decrease to \$245,760 or by 34.3%. The corresponding Service Cost would increase to \$20,790 or by 40.4%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the TOL would decrease to \$626,803 or by 13.8% and the NOL (Asset) would increase to \$474,480 or by 26.8%. The corresponding Service Cost would decrease to \$10,686 or by 27.8%.

<b><u>Impact of a 1% Change in the Healthcare Trend Rate as of the June 30, 2021 Measurement Date</u></b>			
	<u>1% Decrease</u> <u>(3.50%)</u>	<u>Current</u> <u>Trend Rate</u> <u>(4.50%)</u>	<u>1% Increase</u> <u>(5.50%)</u>
I. TOL	\$ 626,803	\$ 727,028	\$ 855,523
II. Fiduciary Net Position	<u>1,101,283</u>	<u>1,101,283</u>	<u>1,101,283</u>
III. NOL (Asset) [I.-II.]	<u>\$ (474,480)</u>	<u>\$ (374,255)</u>	<u>\$ (245,760)</u>
IV. Service Cost	\$ 10,686	\$ 14,810	\$ 20,790

**H. Effect of 1% Change in Discount Rate**

As of the June 30, 2021 Measurement Date, if the discount rate were 1% higher than what was used in this valuation, the TOL would decrease to \$637,853 or by 12.3% and the NOL (Asset) would decrease to \$463,430 or by 23.8%. The corresponding Service Cost would decrease to \$10,836 or by 26.8%. If the discount rate were 1% lower than was used in this valuation, the TOL would increase to \$837,464 or by 15.2% and the NOL (Asset) would decrease to \$263,819 or by 29.5%. The corresponding Service Cost would increase to \$20,382 or by 37.6%.

<b><u>Impact of a 1% Change in the Discount Rate as of the June 30, 2021 Measurement Date</u></b>			
	<u>1% Decrease</u> <u>(5.50%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.50%)</u>	<u>1% Increase</u> <u>(7.50%)</u>
I. TOL	\$ 837,464	\$ 727,028	\$ 637,853
II. Fiduciary Net Position	<u>1,101,283</u>	<u>1,101,283</u>	<u>1,101,283</u>
III. NOL (Asset) [I.-II.]	<u>\$ (263,819)</u>	<u>\$ (374,255)</u>	<u>\$ (463,430)</u>
IV. Service Cost	\$ 20,382	\$ 14,810	\$ 10,836

**NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS** (Continued)I. Net OPEB Liability (Asset), OPEB Expense, and Deferred Inflows/Outflows of Resources**Source of Deferred Inflows/Outflows of Resources**

	<u>For the Reporting Date June 30, 2021</u>
I. Deferred (Inflows)/Outflows of Resources from Actual vs. Expected Experience	\$ (119,817)
II. Deferred (Inflows)/Outflows of Resources from Investment Experience	(124,073)
III. Deferred (Inflows)/Outflows of Resources from Changes in Assumptions	22,257

**Change in Deferred Inflows/Outflows of Resources**

	<u>For the Fiscal Year Ending June 30, 2021</u>
I. Deferred Outflows of Resources at the Beginning of the Fiscal Year	\$ 21,108
II. Deferred Outflows of Resources Created During the Fiscal Year	49,969
III. Deferred Outflows of Resources Recognized During the Fiscal Year	<u>12,659</u>
IV. Change in Deferred Outflows of Resources (II.-III.)	<u>37,310</u>
V. Deferred Outflows of Resources at End of the Fiscal Year (I.+IV.)	<u>\$ 58,418</u>
VI. Deferred Inflows of Resources at the Beginning of the Fiscal Year	\$ (176,660)
VII. Deferred Inflows of Resources Created During the Fiscal Year	(168,441)
VIII. Deferred Inflows of Resources Recognized During the Fiscal Year	<u>(65,050)</u>
IX. Change in Deferred Inflows of Resources (VII.-VIII.)	<u>(103,391)</u>
X. Deferred Inflows of Resources at End of the Fiscal Year (VI.+IX.)	<u>\$ (280,051)</u>

Fiscal Year Ending June

2022	\$ (52,391)
2023	(52,388)
2024	(50,915)
2025	(55,460)
2026	(17,620)
Thereafter	7,141

**NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS** (Continued)I. Net OPEB Liability (Asset), OPEB Expense, and Deferred Inflows/Outflows of Resources (Continued)

<b>Net OPEB Liability (Asset)</b>	For the Reporting Date <u>June 30, 2021</u>
I. Net OPEB Asset at Beginning of Period	\$ (153,496)
II. Service Cost	14,810
III. Interest on TOL, Service Cost, and Payments	45,401
IV. Projected Investment Income	(54,215)
V. Total Employer Contributions	(108,283)
VI. Expense Related to Change in Benefit Terms	<u>-</u>
VII. Net OPEB Expense - Before Recognition of Deferred (Inflows)/Outflows of Resources (II.+III.+IV.+V.+VI.)	(102,287)
VIII. Deferred Outflows of Resources Created During the Period	49,969
IX. Deferred Inflows of Resources Created During the Period	<u>(168,441)</u>
X. Net OPEB Asset at End of Period (I.+ VII.+ VIII.+ IX.)	<u><u>\$ (374,255)</u></u>

<b>Net OPEB Expense</b>	For the Fiscal Year Ending <u>June 30, 2021</u>
I. Service Cost	\$ 14,810
II. Interest on TOL, Service Cost, and Payments	45,401
III. Projected Investment Income	(54,215)
IV. Recognition of Deferred (Inflows)/Outflows of Resources	(52,391)
V. Expense Related to Change in Benefit Terms	<u>-</u>
VI. Financial Statement Expense [I.+II.+III.+IV.+V.]	(46,395)
VII. Benefit Payments	(33,283)
VIII. Contributions to Trust	<u>(75,000)</u>
IX. Total Employer Payments [VI.+VII.]	<u>(108,283)</u>
X. Total Net OPEB Expense under GASB Statement No. 75 (V.+VIII.)	<u><u>\$ (154,678)</u></u>

#### **NOTE 6 – SELF-INSURANCE PROGRAM**

The District is exposed to various risks of loss related to theft of, damages to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. The District is self-insured for general, auto, and public officials (errors and omissions) liability up to \$2,000,000 and up to \$100,000, \$100,000, and \$2,000,000 for property, fidelity, and workers' compensation liability, respectively. The District has coverage for general, automobile, and public official liability for claims up to \$60,000,000 per occurrence. The District has coverage for property insurance for claims in excess of their self-insurance retention level of \$100,000 up to \$100,000,000. The District has fidelity coverage up to \$100,000. The District has workers' compensation coverage of \$2,000,000 to statutory. The coverages mentioned above are held through the Association of California Water Agencies Joint Powers Insurance Authority.

#### **NOTE 7 – COMMITMENTS AND CONTINGENCIES**

##### Sick Leave

Employees of the District are credited with ten hours of sick leave per month, which can accumulate up to 150 days. Employees do not gain a vested right to accumulated sick leave. However, upon retirement or termination in good standing, employees who have zero to nineteen years with the District, will receive pay for 50% of accumulated sick leave. Employees in good standing will be paid for 75% of the accrued sick leave if employed between twenty and twenty-four years. Employees in good standing with twenty-five or more years with the District shall receive 100% of accrued sick leave. The value of accumulated sick leave earned, vested, and not paid (assuming all are in good standing) at June 30, 2021, was \$154,347. Accordingly, this amount is reflected as a liability of the District in the accompanying financial statements. The liability is presented as a component of compensated absences payable.

##### Vacation Leave

Accumulated unpaid employee vacation benefits are accrued as liabilities of the District. Vacation benefits accrue at the rates stated in Note 1. The liability is presented as a component of compensated absences payable. The value of accumulated unpaid vacation leave at June 30, 2021, is \$49,895.

#### **NOTE 8 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure is October 19, 2021, which is the date that the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MOJAVE PUBLIC UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>	<b>\$ 727,028</b>	<b>\$ 650,131</b>	<b>\$ 737,486</b>	<b>\$ 693,428</b>
I. Service Cost	\$ 14,810	\$ 13,534	\$ 27,190	\$ 17,292
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	45,401	56,805	51,028	49,868
III. Changes in Benefit Terms	-	-	-	-
IV. Difference between Expected and Actual Plan Experience	-	(144,514)	-	(29,037)
V. Changes of Assumptions	49,969	(28,804)	-	-
VI. Benefit Payments Excluding Implicit Cost	(33,283)	(33,156)	(34,160)	N/A
VII. Implicit Cost Amount	-	-	-	N/A
VIII. Total Benefit Payments Including Implicit Cost [VI.+VII.]	<u>(33,283)</u>	<u>(33,156)</u>	<u>(34,160)</u>	<u>(29,957)</u>
IX. Net Change in OPEB Liability [I.+II.+III.+IV.+V.+VIII.]	76,897	(136,135)	44,058	8,166
X. Total OPEB Liability - Beginning of Period	650,131	737,486	693,428	685,262
XI. Prior Period Adjustment	<u>-</u>	<u>48,780</u>	<u>-</u>	<u>-</u>
XII. Total OPEB Liability - Beginning of Period with Adjustment	<u>650,131</u>	<u>786,266</u>	<u>693,428</u>	<u>685,262</u>
XIII. Total OPEB Liability - End of Period [IX.+XII.]	<u>\$ 727,028</u>	<u>\$ 650,131</u>	<u>\$ 737,486</u>	<u>\$ 693,428</u>
<b>Plan Fiduciary Net Position</b>	<b>\$ 1,101,283</b>	<b>\$ 803,627</b>	<b>\$ 596,426</b>	<b>\$ 497,766</b>
XIV. Earnings from Plan Investments	\$ 222,656	\$ 27,962	\$ 33,660	\$ 41,472
XV. Employer Contribution to Trust	108,283	108,156	99,160	89,957
XVI. Benefit Payments from Trust, Including Refunds of Member Contributions	(33,283)	(33,156)	(34,160)	(29,957)
XVII. Administrative Expense	-	-	-	-
XVIII. Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
XIX. Net Change in Plan Fiduciary Net Position [XIV.+XV.+XVI.+XVII.+XVIII.]	297,656	102,962	98,660	101,472
XX. Plan Fiduciary Net Position - Beginning of Period	803,627	596,426	497,766	396,294
XXI. Prior Period Adjustment	<u>-</u>	<u>104,239</u>	<u>-</u>	<u>-</u>
XXII. Plan Fiduciary Net Position - Beginning of Period with Adjustment	<u>803,627</u>	<u>700,665</u>	<u>497,766</u>	<u>396,294</u>
XXIII. Plan Fiduciary Net Position - End of Period [XIX.+XXII.]	<u>\$ 1,101,283</u>	<u>\$ 803,627</u>	<u>\$ 596,426</u>	<u>\$ 497,766</u>
XXIV. Net OPEB Liability (Asset) [XIII.-XXIII.]	<u>\$ (374,255)</u>	<u>\$ (153,496)</u>	<u>\$ 141,060</u>	<u>\$ 195,662</u>
XXI. Plan Fiduciary Net Position as % of Total OPEB Liability [XIX./XI.]	151.48%	123.61%	80.87%	71.78%
XXII. Covered Employee Payroll	\$ 1,525,957	\$ 1,481,512	\$ 570,184	\$ 555,375
XXIII. Plan Net OPEB Liability (Asset) as % of Covered Employee Payroll [XX./XXII.]	-24.53%	-10.36%	24.74%	35.23%
Single Discount Rate to Calculate Plan Liabilities	6.50%	7.00%	7.25%	7.25%



**MOJAVE PUBLIC UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Schedule of Contributions**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
I. Service Cost	\$ 14,810	\$ 13,534	\$ 27,190	\$ 17,292
II. 30 Year Level Dollar Amortization of NOL (Asset)	<u>(19,429)</u>	<u>(11,560)</u>	<u>15,073</u>	<u>15,073</u>
III. Actuarial Determined Contribution [I. + II.]	(4,619)	1,974	42,263	32,365
IV. Contributions in Relation to the Actuarially Determined Contribution	<u>(108,283)</u>	<u>(108,156)</u>	<u>(99,160)</u>	<u>(89,957)</u>
V. Contribution Deficiency / (Excess) [III. + IV.]	<u>\$ (112,902)</u>	<u>\$ (106,182)</u>	<u>\$ (56,897)</u>	<u>\$ (57,592)</u>
Covered Employee Payroll	\$ 1,525,957	\$ 1,481,512	\$ 570,184	\$ 555,375
Contributions as a % of Covered Employee Payroll	7.10%	7.30%	17.39%	16.20%
Discount Rate	6.50%	7.00%	7.25%	7.25%
Money Weighted Rate of Return	27.52%	3.96%	4.85%	7.77%

**SUPPLEMENTARY INFORMATION AND OTHER REPORTS SECTION**

**MOJAVE PUBLIC UTILITY DISTRICT  
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES –  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund
<b>OPERATING REVENUES</b>	
Water sales	\$ 1,600,902
Water surcharge	87,095
Water permits	750
New account charges	2,520
Delinquent charges	14,210
Sewer fees	458,380
Domestic waste dump fees	208,646
Taxes	460,984
	<u>460,984</u>
Total Operating Revenues	\$ 2,833,487
<b>OPERATING EXPENSES</b>	
Water expenses	
Salaries	\$ 369,546
Maintenance	21,043
Vehicle - maintenance	7,050
Water purchase	61,638
Vehicle - fuel	18,392
Pumping power	138,156
Chlorination	7,449
Water meters	9,743
Laboratory tests	8,386
Arsenic treatment	87,294
PH level adjustment	25,125
Depreciation	242,465
State Health Department annual fees	2,521
	<u>2,521</u>
Total Water Expenses	\$ 998,808
Sewer expenses	
Salaries	\$ 64,368
Vehicle - maintenance	1,023
Vehicle - fuel	2,627
Miscellaneous	7,202
Depreciation	23,757
	<u>23,757</u>
Total Sewer Expenses	\$ 98,977
Treatment plant expenses	
Salaries	\$ 64,422
Maintenance	9,000
Tests	3,848
Depreciation	34,995
Vehicle - maintenance	2,046
Vehicle - fuel	5,255
Power	1,334
Sludge removal	15,435
Annual waste discharge fee	20,363
	<u>20,363</u>
Total Treatment Plant Expenses	\$ 156,698

**MOJAVE PUBLIC UTILITY DISTRICT  
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES –  
GENERAL FUND (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GENERAL AND ADMINISTRATIVE EXPENSES	
Salaries	\$ 174,737
Maintenance	5,844
Communications	11,308
Workmen's compensation insurance	22,219
Liability insurance	20,580
Property insurance	7,809
Dues and memberships	14,367
Office expenses	5,463
Printing	7,622
Credit card expenses	3,315
Travel expenses	162
Postage	8,191
Power	6,659
Natural gas	1,362
Engineering	5,380
Legal	27,974
Auditing	22,600
District pension contribution	44,795
District pension administration	2,725
OPEB expense	(74,678)
Medical insurance	239,568
Director fees	10,800
District portion FICA	50,907
Seminars	386
Depreciation	87,358
Miscellaneous	3,953
Bad debt expense - water and sewer	1,245
Uniform service	3,407
Cross connection inspection	1,813
Life insurance	3,630
Vision care insurance	3,118
Dental care insurance	9,119
Safety and medical supplies	6,867
Election expense	18
Maintenance agreements	58,980
County tax collection fee	4,964
Returned check charge	120
Janitorial service	4,200
	<hr/>
Total General and Administrative Expenses	<u>\$ 808,887</u>

**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  
Mojave Public Utility District  
Mojave, 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 Standard* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Mojave Public Utility District (the District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2021.

**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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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  
October 19, 2021