

MOJAVE PUBLIC UTILITY DISTRICT
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

**MOJAVE PUBLIC UTILITY DISTRICT
JUNE 30, 2022**

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	4
<u>Basic Financial Statements</u>	
District-Wide Financial Statements:	
Business-Type Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Statement of Net Position – Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	10
Statement of Cash Flows – Proprietary Funds	11
Notes to Financial Statements	12
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Changes in the District's Net OPEB Liability (Asset) and Related Ratios	29
Schedule of Contributions	30
<u>SUPPLEMENTARY INFORMATION AND OTHER REPORTS SECTION</u>	
<u>Supplementary Information</u>	
Schedule of Operating Revenues and Operating Expenses – General Fund	31
<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>	33

GENERAL INFORMATION

MOJAVE PUBLIC UTILITY DISTRICT
MOJAVE
COUNTY OF KERN, CALIFORNIA
LIST OF PERSONNEL
JUNE 30, 2022

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mojave Public Utility District
Mojave, California

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 and the required supplementary information on pages 29-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

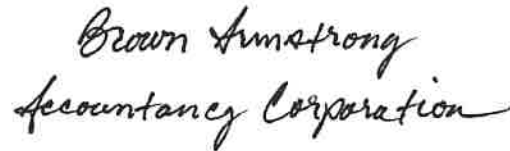
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Operating Revenues and Operating Expenses – General Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 December 8, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in cursive script that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
December 8, 2022

**MOJAVE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022. 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 2021-22. 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 \$18,351,859.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets		
Capital Assets, Net	\$ 9,493,609	\$ 9,282,224
Other Assets	<u>8,874,313</u>	<u>7,902,181</u>
Total Assets	18,367,922	17,184,405
Deferred Outflows of Resources	369,420	58,418
Liabilities		
Current Liabilities	32,901	118,968
Long-Term Liabilities	<u>137,581</u>	<u>204,242</u>
Total Liabilities	170,482	323,210
Deferred Inflows of Resources	215,001	280,051
Net Position		
Net Investment in Capital Assets	9,493,609	9,282,224
Restricted for Operations	827,479	953,501
Unrestricted	<u>8,030,771</u>	<u>6,403,837</u>
Total Net Position	<u>\$ 18,351,859</u>	<u>\$ 16,639,562</u>

Capital Assets, Net increased by \$211,385. For detailed capital asset information, see Note 3 of the financial statements which summarizes additions and deletions.

Other Assets – Current assets were \$8,858,494 and noncurrent assets were \$9,509,428. Noncurrent assets included a net other postemployment benefits (OPEB) asset of \$15,819. See Note 5 for further information regarding the OPEB asset.

Long-Term Liabilities – This consisted of compensated absences of \$137,581.

Current Liabilities – Current liabilities were \$32,901.

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

Net Position – Net Investment in Capital Assets was \$9,493,609.

Net Position – Restricted was \$827,479 for developer fees, grant revenues, and long-term debt.

Unrestricted Net Position was \$8,030,771.

Change in Net Position – Change in net position for fiscal years 2022 and 2021 was \$1,712,297 and \$1,969,398, respectively.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total Program Revenues	\$ 3,089,002	\$ 3,476,031
Total Program Expenses	(2,286,121)	(2,063,370)
General Revenues	<u>909,416</u>	<u>556,737</u>
Change in Net Position	1,712,297	1,969,398
Net Position, Beginning of Year	<u>16,639,562</u>	<u>14,670,164</u>
Net Position, End of Year	<u><u>\$ 18,351,859</u></u>	<u><u>\$ 16,639,562</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, 2022, the District had invested \$9,493,609 in capital assets, net of depreciation.

Long-Term Debt – At June 30, 2022, 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, 2022**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 8,533,290
Accounts receivable	280,503
Inventories	20,691
Interest receivable	24,010
Total Current Assets	8,858,494

Noncurrent Assets:

Capital assets not being depreciated:	
Land	221,113
Construction in progress	853,696
Capital assets being depreciated:	
Buildings	250,100
Improvements	11,106,310
Sewer treatment plant	2,890,128
Equipment	1,261,367
Less accumulated depreciation	(7,089,105)
Total Capital Assets, Net of Depreciation	9,493,609
Net OPEB asset	15,819
Total Noncurrent Assets	9,509,428
Total Assets	18,367,922

DEFERRED OUTFLOWS OF RESOURCES (OPEB) 369,420

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 18,737,342

LIABILITIES

Current Liabilities:

Accrued expense	\$ 51
Customers' refundable deposits	32,850

Long-Term Liabilities:

Due within one year:	
Compensated absences	137,581

Total Liabilities 170,482

DEFERRED INFLOWS OF RESOURCES (OPEB) 215,001

NET POSITION

Net investment in capital assets	9,493,609
Restricted	827,479
Unrestricted	8,030,771
Total Net Position	18,351,859

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION \$ 18,737,342

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, 2022**

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	\$ 2,286,121	\$ 2,732,319	\$ -	\$ 356,683	\$ 802,881
Totals	<u>\$ 2,286,121</u>	<u>\$ 2,732,319</u>	<u>\$ -</u>	<u>\$ 356,683</u>	<u>802,881</u>
General Revenues:					
Taxes and subventions:					
					516,806
					69,097
					15,500
					<u>308,013</u>
					<u>909,416</u>
					1,712,297
					<u>16,639,562</u>
					<u>\$ 18,351,859</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, 2022**

	General Fund	Other Proprietary Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and cash equivalents	\$ 7,206,812	\$ 1,326,478	\$ 8,533,290
Accounts receivable	280,503	-	280,503
Inventories	20,691	-	20,691
Interest receivable	23,009	1,001	24,010
Due from other funds	500,000	-	500,000
Total Current Assets	8,031,015	1,327,479	9,358,494
Noncurrent Assets:			
Capital assets:			
Capital assets not being depreciated:			
Land	221,113	-	221,113
Construction in progress	853,696	-	853,696
Capital assets being depreciated:			
Buildings	250,100	-	250,100
Improvements	11,106,310	-	11,106,310
Sewer treatment plant	2,890,128	-	2,890,128
Equipment	1,261,367	-	1,261,367
Less accumulated depreciation	(7,089,105)	-	(7,089,105)
Total Capital Assets, Net of Depreciation	9,493,609	-	9,493,609
Net OPEB asset	15,819	-	15,819
Total Noncurrent Assets	9,509,428	-	9,509,428
Total Assets	17,540,443	1,327,479	18,867,922
Deferred Outflows of Resources (OPEB)	369,420	-	369,420
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 17,909,863	\$ 1,327,479	\$ 19,237,342
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current Liabilities:			
Accrued expense	\$ 51	\$ -	\$ 51
Customers' refundable deposits	32,850	-	32,850
Long-Term Liabilities:			
Due within one year:			
Compensated absences	137,581	-	137,581
Due to other funds	-	500,000	500,000
Total Liabilities	170,482	500,000	670,482
Deferred Inflows of Resources (OPEB)	215,001	-	215,001
Net Position:			
Net investment in capital assets	9,493,609	-	9,493,609
Restricted	-	827,479	827,479
Unrestricted	8,030,771	-	8,030,771
Total Net Position	17,524,380	827,479	18,351,859
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 17,909,863	\$ 1,327,479	\$ 19,237,342

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, 2022**

	General Fund	Other Proprietary Funds	Total
Operating Revenues:			
Water and sewer charges	\$ 2,723,219	\$ 9,100	\$ 2,732,319
Taxes	516,806	-	516,806
Total Operating Revenues	<u>3,240,025</u>	<u>9,100</u>	<u>3,249,125</u>
Operating Expenses:			
Water	1,127,084	-	1,127,084
Sewer	90,311	-	90,311
Treatment plant	166,572	-	166,572
General and administrative	902,154	-	902,154
Total Operating Expenses	<u>2,286,121</u>	<u>-</u>	<u>2,286,121</u>
Operating Income	<u>953,904</u>	<u>9,100</u>	<u>963,004</u>
Nonoperating Revenues and Expenses:			
Nonoperating Revenues:			
Grant revenue	-	356,683	356,683
Interest	60,902	8,195	69,097
Gain on sale of asset	15,500	-	15,500
Miscellaneous	308,013	-	308,013
Total Nonoperating Revenues	<u>384,415</u>	<u>364,878</u>	<u>749,293</u>
Income Before Operating Transfers	<u>1,338,319</u>	<u>373,978</u>	<u>1,712,297</u>
Transfers			
Transfers In	500,000	-	500,000
Transfers Out	-	(500,000)	(500,000)
Total Transfers	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
Net Increase (Decrease) in Net Position	1,838,319	(126,022)	1,712,297
Net Position, Beginning of Year	<u>15,686,061</u>	<u>953,501</u>	<u>16,639,562</u>
Net Position, End of Year	<u>\$ 17,524,380</u>	<u>\$ 827,479</u>	<u>\$ 18,351,859</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, 2022**

	General Fund	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,239,678	\$ 9,100	\$ 3,248,778
Payments to employees (salaries and benefits)	(84,277)	-	(84,277)
Payments to suppliers	(2,448,221)	-	(2,448,221)
Net Cash Provided by Operating Activities	707,180	9,100	716,280
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Other noncapital revenue	275,280	-	275,280
Net Cash Provided by Non-Capital Financing Activities	275,280	-	275,280
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital funds received	-	356,682	356,682
Capital expenditures	(91,193)	-	(91,193)
Net Cash Provided (Used) by Capital and Related Financing Activities	(91,193)	356,682	265,489
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	60,902	8,195	69,097
Net Cash Provided by Investing Activities	60,902	8,195	69,097
Net Increase in Cash and Cash Equivalents	952,169	373,977	1,326,146
Cash and Cash Equivalents at Beginning of Year	6,254,643	952,501	7,207,144
Cash and Cash Equivalents at End of Year	\$ 7,206,812	\$ 1,326,478	\$ 8,533,290
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 953,904	\$ 9,100	\$ 963,004
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	428,041	-	428,041
(Increase) decrease in:			
Inventories	(4,074)	-	(4,074)
Accounts receivable	(347)	-	(347)
Due from other funds	(500,000)	-	(500,000)
Deferred outflows of resources	(311,002)	-	(311,002)
Increase (decrease) in:			
Compensated absences	(85,517)	-	(85,517)
Net OPEB asset	358,436	-	358,436
Accounts payable and other accrued expenses	(550)	-	(550)
Due to other funds	(66,661)	-	(66,661)
Deferred inflows of resources	(65,050)	-	(65,050)
Net Cash Provided by Operating Activities	\$ 707,180	\$ 9,100	\$ 716,280

Supplemental Disclosure of Cash Flow Information:

The District did not have any non-cash activities during the fiscal year.

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

**MOJAVE PUBLIC UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 1st and the 15th to receive credit for that month. If the hire date falls after the 15th, 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. 87	<i>Leases</i>	The requirements of this statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
Statement No. 89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Pronouncements (Continued)

Statement No. 92

Omnibus 2020

The requirements of this statement are effective as follows:

- The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of GASB Statements No. 73 and No. 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of GASB Statement No. 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.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Statement No. 93

Replacement of Interbank Offered Rates

The requirements of this statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Pronouncements (Continued)

Statement No. 97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32</i>	<p>The requirements of this statement are effective as follows:</p> <ul style="list-style-type: none">• The requirements in (1) paragraph 4 of this statement as it applies to defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and other employee benefit plans and (2) paragraph 5 of this statement are effective immediately.• The requirements in paragraphs 6–9 of this statement are effective for fiscal years beginning after June 15, 2021.• All other requirements of this statement are effective for reporting periods beginning after June 15, 2021.
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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. 91	<i>Conduit Debt Obligations</i>	The requirements of this statement are effective for reporting periods beginning after December 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 fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
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, and all reporting periods thereafter.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future GASB Statements (Continued)

Statement No. 99	<i>Omnibus 2022</i>	The requirements of this statement are effective as follows: <ul style="list-style-type: none">• The requirements related to extension of the use of the London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.• The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.• The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
Statement No. 100	<i>Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62</i>	For fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
Statement No. 101	<i>Compensated Absences</i>	The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

General Cash	
Deposited with Treasurer, County of Kern	\$ 6,324,198
Checking – Mission Bank	652,238
Merchant Account	8,156
Petty Cash	600
	<hr/>
	6,985,192
Developer Fees	
Deposited with Treasurer, County of Kern	826,478
Bond Redemption Cash	
Deposited with Treasurer, County of Kern	188,770
Grant Funds	
Mission Bank	500,000
Trust Cash (Customer Deposits)	
Mission Bank	32,850
	<hr/>
Total Cash and Cash Equivalents	<u><u>\$ 8,533,290</u></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	\$ 7,339,446	\$ 7,339,446	\$ -	\$ -	\$ -

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	\$ 7,339,446	N/A	\$ -	\$ -	\$ -	\$ 7,339,446

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, 2022, 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 Annual Comprehensive 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, 2022, is shown below:

	Balances June 30, 2021	Additions	Deletions	Balances June 30, 2022
Capital Assets, Not Being Depreciated:				
Land	\$ 221,113	\$ -	\$ -	\$ 221,113
Construction in progress	736,234	245,905	128,443	853,696
Total Capital Assets Not Being Depreciated	957,347	245,905	128,443	1,074,809
Capital Assets, Being Depreciated:				
Buildings	250,100	-	-	250,100
Improvements	10,919,797	186,513	-	11,106,310
Sewer treatment plant	2,872,828	17,300	-	2,890,128
Equipment	1,007,871	318,151	64,655	1,261,367
Total Capital Assets Being Depreciated	15,050,596	521,964	64,655	15,507,905
Less Accumulated Depreciation for:				
Buildings	245,380	5,897	-	251,277
Improvements	3,371,277	275,128	-	3,646,405
Sewer treatment plant	2,397,482	61,597	-	2,459,079
Equipment	711,580	85,419	64,655	732,344
Total Accumulated Depreciation	6,725,719	428,041	64,655	7,089,105
Total Capital Assets Being Depreciated, Net	8,324,877	93,923	-	8,418,800
Total Capital Assets, Net	\$ 9,282,224	\$ 339,828	\$ 128,443	\$ 9,493,609

Depreciation expense for the fiscal year ended June 30, 2022, was \$428,041.

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, 2022, was \$54,344.

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 2020-2023	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, 2022 Measurement Date, total District premiums plus implicit costs for the retiree medical program were \$33,501. The District also made a contribution to an OPEB Trust of \$0 for a total contribution during the period of \$33,501.

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			
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	26.50%	Domestic Equity - Large Cap	4.42%
Domestic Equity - Small/Mid Cap	13.00%	Domestic Equity - Small/Mid Cap	4.81%
International Equity - Developed Market	13.00%	International Equity - Developed Market	4.91%
International Equity - Emerging Market	6.50%	International Equity - Emerging Market	5.58%
Domestic Fixed Income	21.75%	Domestic Fixed Income	1.00%
International Fixed Income	8.25%	International Fixed Income	1.04%
Alternatives	3.00%	Alternatives	5.98%
Real Estate	8.00%	Real Estate	6.25%
Cash and Cash Equivalents	0.00%	Cash and Cash Equivalents	0.00%
Total	<u>100.00%</u>	I. Real Rate of Return	3.78%
		II. Inflation Assumption	<u>2.50%</u>
		III. Total Nominal Return [I.+II.]	6.28%
		IV. Investment Expense	<u>0.25%</u>
		V. Net Investment Return* [III.-IV.]	<u>6.03%</u>

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, 2021	\$ 727,028	\$ 1,101,283	\$ (374,255)
II. Prior Period Adjustment	-	-	-
III. Balances for June 30, 2021 with Adjustment [I. + II.]	727,028	1,101,283	(374,255)
Changes for the Year:			
IV. Service Cost	19,031	-	19,031
V. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	47,422	-	47,422
VI. Changes in Benefit Terms *	-	-	-
VII. Change in Assumptions **	138,101	-	138,101
VIII. Differences Between Actual and Expected Experience **	39,506	-	39,506
IX. Net Investment Income	-	(147,877)	147,877
X. Employer Contributions to Trust	-	33,501	(33,501)
XI. Benefit Payments Withdrawn from Trust	-	(33,501)	33,501
XII. Benefit Payments Excluding Implicit Cost	(33,501)	-	(33,501)
XIII. Implicit Cost Amount	-	-	-
XIV. Total Benefit Payments Including Implicit Cost [XII.+XIII.]	(33,501)	-	(33,501)
XV. Administrative Expense	-	-	-
XVI. Other Charges	-	-	-
XVII. Net Changes [IV.+V.+VI.+VII.+VIII.+IX.+X.+XI.+XIV.+XV.+XVI.]	210,559	(147,877)	358,436
XVII. Balances at June 30, 2022 [III.+XVII.]	\$ 937,587	\$ 953,406	\$ (15,819)

* 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 NOL (Asset) would decrease to \$134,837. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the NOL (Asset) would increase to \$(133,477).

**Impact of a 1% Change in the Healthcare Trend Rate as of the
June 30, 2022 Measurement Date**

	<u>1% Decrease (3.50%)</u>	<u>Current Trend Rate (4.50%)</u>	<u>1% Increase (5.50%)</u>
Net OPEB Liability (Asset)	\$ (133,447)	\$ (15,819)	\$ 134,837

H. Effect of 1% Change in Discount Rate

As of the June 30, 2022 Measurement Date, if the discount rate were 1% higher than what was used in this valuation the NOL (Asset) would decrease to \$(122,667). If the discount rate were 1% lower than was used in this valuation the NOL (Asset) would decrease to \$117,386.

**Impact of a 1% Change in the Discount Rate as of the
June 30, 2022 Measurement Date**

	<u>1% Decrease (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
Net OPEB Liability (Asset)	\$ 117,386	\$ (15,819)	\$ (122,667)

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

	For the Reporting Date June 30, 2022
I. Deferred (Inflows)/Outflows of Resources from Actual vs. Expected Experience	\$ (61,162)
II. Deferred (Inflows)/Outflows of Resources from Investment Experience	77,975
III. Deferred (Inflows)/Outflows of Resources from Changes in Benefit Terms	-
III. Deferred (Inflows)/Outflows of Resources from Changes in Assumptions	<u>\$ 137,606</u>

Change in Deferred Inflows/Outflows of Resources

	For the Fiscal Year Ending June 30, 2022
I. Deferred Outflows of Resources at the Beginning of the Fiscal Year	\$ 58,418
II. Deferred Outflows of Resources Created During the Fiscal Year	391,891
III. Deferred Outflows of Resources Recognized During the Fiscal Year	<u>80,889</u>
IV. Change in Deferred Outflows of Resources (II.-III.)	<u>311,002</u>
V. Deferred Outflows of Resources at End of the Fiscal Year (I.+IV.)	<u>\$ 369,420</u>
VI. Deferred Inflows of Resources at the Beginning of the Fiscal Year	\$ (280,051)
VII. Deferred Inflows of Resources Created During the Fiscal Year	-
VIII. Deferred Inflows of Resources Recognized During the Fiscal Year	<u>(65,050)</u>
IX. Change in Deferred Inflows of Resources (VII.-VIII.)	<u>65,050</u>
X. Deferred Inflows of Resources at End of the Fiscal Year (VI.+IX.)	<u>\$ (215,001)</u>

Fiscal Year Ending June

2023	\$ 15,842
2024	17,315
2025	12,770
2026	50,609
2027	32,514
Thereafter	<u>25,369</u>
Total	<u>\$ 154,419</u>

NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

I. Net OPEB Liability (Asset), OPEB Expense, and Deferred Inflows/Outflows of Resources (Continued)

Net OPEB Liability (Asset)	For the Reporting Date June 30, 2022
I. Net OPEB Asset at Beginning of Period	\$ (374,255)
II. Service Cost	19,031
III. Interest on TOL, Service Cost, and Payments	47,422
IV. Projected Investment Income	(66,407)
V. OPEB Plan Administrative Expenses	-
VI. Total Employer Contributions	(33,501)
VII. Expense Related to Change in Benefit Terms	-
VIII. Net OPEB Expense - Before Recognition of Deferred (Inflows)/Outflows of Resources (II.+III.+IV.+V.+VI.)	(33,455)
IX. Deferred Outflows of Resources Created During the Period	391,891
X. Deferred Inflows of Resources Created During the Period	-
XI. Net OPEB Asset at End of Period (I.+ VII.+ VIII.+ IX.)	<u>\$ (15,819)</u>

Net OPEB Expense	For the Fiscal Year Ending June 30, 2022
I. Service Cost	\$ 19,031
II. Interest on TOL, Service Cost, and Payments	47,422
III. Projected Investment Income	(66,407)
IV. Recognition of Deferred (Inflows)/Outflows of Resources	15,839
V. Expense Related to Change in Benefit Terms	-
VI. Financial Statement Expense [I.+II.+III.+IV.+V.]	15,885
VII. Benefit Payments	(33,501)
VIII. Contributions to Trust	-
IX. Total Employer Payments [VI.+VII.]	<u>(33,501)</u>
X. Total Net OPEB Expense (Income){VI+IX.}	<u>\$ (17,616)</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, 2022, was \$93,870. 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, 2022, is \$43,711.

NOTE 8 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure is December 8, 2022, 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, 2022**

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability	\$ 937,587	\$ 727,028	\$ 650,131	\$ 737,486	\$ 693,428
I. Service Cost	\$ 19,031	\$ 14,810	\$ 13,534	\$ 27,190	\$ 17,292
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	47,422	45,401	56,805	51,028	49,868
III. Changes in Benefit Terms	-	-	-	-	-
IV. Difference between Expected and Actual Plan Experience	39,506	-	(144,514)	-	(29,037)
V. Changes of Assumptions	138,101	49,969	(28,804)	-	-
VI. Benefit Payments Excluding Implicit Cost	(33,501)	(33,283)	(33,156)	(34,160)	N/A
VII. Implicit Cost Amount	-	-	-	-	N/A
VIII. Total Benefit Payments Including Implicit Cost [VI.+VII.]	(33,501)	(33,283)	(33,156)	(34,160)	(29,957)
IX. Net Change in OPEB Liability [I.+II.+III.+IV.+V.+VIII.]	210,559	76,897	(136,135)	44,058	8,166
X. Total OPEB Liability - Beginning of Period	727,028	650,131	737,486	693,428	685,262
XI. Prior Period Adjustment	-	-	48,780	-	-
XII. Total OPEB Liability - Beginning of Period with Adjustment	727,028	650,131	786,266	693,428	685,262
XIII. Total OPEB Liability - End of Period [IX.+XII.]	\$ 937,587	\$ 727,028	\$ 650,131	\$ 737,486	\$ 693,428
Plan Fiduciary Net Position	\$ 953,406	\$ 1,101,283	\$ 803,627	\$ 596,426	\$ 497,766
XIV. Earnings from Plan Investments	\$ (147,877)	\$ 222,656	\$ 27,962	\$ 33,660	\$ 41,472
XV. Employer Contribution to Trust	33,501	108,283	108,156	99,160	89,957
XVI. Benefit Payments from Trust, Including Refunds of Member Contributions	(33,501)	(33,283)	(33,156)	(34,160)	(29,957)
XVII. Administrative Expense	-	-	-	-	-
XVIII. Other	-	-	-	-	-
XIX. Net Change in Plan Fiduciary Net Position [XIV.+XV.+XVI.+XVII.+XVIII.]	(147,877)	297,656	102,962	98,660	101,472
XX. Plan Fiduciary Net Position - Beginning of Period	1,101,283	803,627	596,426	497,766	396,294
XXI. Prior Period Adjustment	-	-	104,239	-	-
XXII. Plan Fiduciary Net Position - Beginning of Period with Adjustment	1,101,283	803,627	700,665	497,766	396,294
XXIII. Plan Fiduciary Net Position - End of Period [XIX.+XXII.]	\$ 953,406	\$ 1,101,283	\$ 803,627	\$ 596,426	\$ 497,766
XXIV. Net OPEB Liability (Asset) [XIII.-XXIII.]	\$ (15,819)	\$ (374,255)	\$ (153,496)	\$ 141,060	\$ 195,662
XXI. Plan Fiduciary Net Position as % of Total OPEB Liability [XIX./XI.]	101.69%	151.48%	123.61%	80.87%	71.78%
XXII. Covered Employee Payroll	\$ 663,891	\$ 1,525,957	\$ 1,481,512	\$ 570,184	\$ 555,375
XXIII. Plan Net OPEB Liability (Asset) as % of Covered Employee Payroll [XX./XXII.]	-2.38%	-24.53%	-10.36%	24.74%	35.23%
Single Discount Rate to Calculate Plan Liabilities	6.00%	6.50%	7.00%	7.25%	7.25%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**MOJAVE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Schedule of Contributions*

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
I. Service Cost	\$ 19,031	\$ 14,810	\$ 13,534	\$ 27,190	\$ 17,292
II. 30 Year Level Dollar Amortization of NOL (Asset)	-	(19,429)	(11,560)	15,073	15,073
III. Actuarial Determined Contribution [I. + II.]	19,031	(4,619)	1,974	42,263	32,365
IV. Contributions in Relation to the Actuarially Determined Contribution	<u>(33,501)</u>	<u>(108,283)</u>	<u>(108,156)</u>	<u>(99,160)</u>	<u>(89,957)</u>
V. Contribution Deficiency / (Excess) [III. + IV.]	<u>\$ (14,470)</u>	<u>\$ (112,902)</u>	<u>\$ (106,182)</u>	<u>\$ (56,897)</u>	<u>\$ (57,592)</u>
Covered Employee Payroll	\$ 663,891	\$ 1,525,957	\$ 1,481,512	\$ 570,184	\$ 555,375
Contributions as a % of Covered Employee Payroll	5.05%	7.10%	7.30%	17.39%	16.20%
Discount Rate	6.00%	6.50%	7.00%	7.25%	7.25%
Money Weighted Rate of Return	-13.43%	27.52%	3.96%	4.85%	7.77%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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, 2022**

	<u>General Fund</u>
OPERATING REVENUES	
Water sales	\$ 1,826,055
Water surcharge	81,910
Water permits	625
New account charges	2,800
Turn on charges	400
Delinquent charges	14,610
Sewer fees	465,070
Domestic waste dump fees	331,749
Taxes	516,806
	\$ 3,240,025
OPERATING EXPENSES	
Water expenses	
Salaries	\$ 435,282
Maintenance	24,378
Vehicle - maintenance	10,798
Water purchase	90,951
Vehicle - fuel	25,008
Pumping power	194,245
Chlorination	10,084
Water meters	10,264
Laboratory tests	8,906
Arsenic treatment	3,175
PH level adjustment	35,557
Depreciation	275,128
State Health Department annual fees	3,308
	\$ 1,127,084
Sewer expenses	
Salaries	\$ 49,049
Vehicle - maintenance	1,513
Vehicle - fuel	3,509
Miscellaneous	12,483
Depreciation	23,757
	\$ 90,311
Treatment plant expenses	
Salaries	\$ 70,337
Maintenance	7,214
Tests	2,968
Depreciation	37,839
Vehicle - maintenance	3,026
Vehicle - fuel	7,017
Power	432
Sludge removal	13,956
Annual waste discharge fee	23,783
	\$ 166,572

**MOJAVE PUBLIC UTILITY DISTRICT
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES –
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

GENERAL AND ADMINISTRATIVE EXPENSES	
Salaries	\$ 190,695
Maintenance	6,320
Communications	10,291
Workmen's compensation insurance	13,292
Liability insurance	21,648
Property insurance	9,246
Dues and memberships	14,600
Office expenses	7,154
Printing	7,374
Credit card expenses	3,857
Travel expenses	698
Postage	8,866
Power	7,955
Natural gas	1,724
Engineering	7,974
Legal	34,056
Auditing	21,100
District pension contribution	54,344
District pension administration	3,925
OPEB expense	(17,616)
Medical insurance	243,368
Director fees	10,400
District portion FICA	61,351
Seminars	165
Depreciation	91,317
Miscellaneous	6,512
Bad debt expense - water and sewer	6,023
Uniform service	4,639
Cross connection inspection	1,450
Life insurance	3,777
Vision care insurance	3,248
Dental care insurance	9,626
Safety and medical supplies	3,645
Maintenance agreements	39,571
Director expenses	1,596
County tax collection fee	6,133
Returned check charge	80
Janitorial service	1,750
	<hr/>
Total General and Administrative Expenses	<u>\$ 902,154</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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 8, 2022