

**PIXLEY PUBLIC UTILITY DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND**  
**ADDITIONAL INFORMATION**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2019**

**PIXLEY PUBLIC UTILITY DISTRICT  
JUNE 30, 2019**

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## **GENERAL INFORMATION**

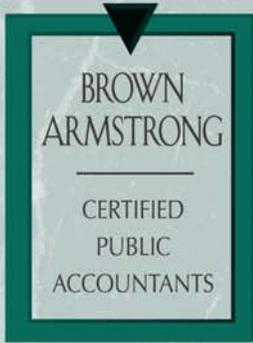
**PIXLEY PUBLIC UTILITY DISTRICT  
PIXLEY  
COUNTY OF TULARE, CALIFORNIA  
BOARD MEMBERS  
JUNE 30, 2019**

BOARD MEMBERS

Robert F. Chandler (President)  
Rodger Ward (Vice President)  
Ronnie Prine  
David G. Terrel Jr.  
Ramon Cisneros

Term expires November 2020  
Term expires November 2020  
Term expires November 2022  
Term expires November 2020  
Term expires November 2022

**FINANCIAL SECTION**



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pixley Public Utility District  
Pixley, California

### Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Pixley Public Utility District (the District) as of and for the fiscal year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

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## Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2019, and the respective changes in financial position and 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The general and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The general and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used 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 information 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 16, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
December 16, 2019

**PIXLEY PUBLIC UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This section of the Pixley Public Utility District's (the District) basic financial statements presents management's discussion and analysis of the District's performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the District's basic financial statements, which follow this section.

The District was organized on January 28, 1947, under the statutes of 1921, Chapter 560, as amended and incorporated in the Public Utilities Code (PUC), Section 15501 and following, codified in 1953. The District is governed by a Board of Directors (the Board) consisting of five members.

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

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

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 activities and changes in net position is reported using the accrual basis of accounting. Revenue is 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 non-operating based on definitions provided by the Governmental Accounting Standards Board (GASB).

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

These basic financial statements consist of four major parts: General Information, Management's Discussion and Analysis (MD&A) (this section), the Basic Financial Statements, including accompanying Notes to the Basic Financial Statements, and Supplementary Information that explain some of the information in the basic financial statements and provide more detailed data.

The Basic Financial Statements include the following type of statements that present an overall view 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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities and changes in net position. These two District-wide financial statements report the District's net position. Net position – the difference between the District's assets and liabilities – is one way to measure the District's health or financial position. The statement of activities and changes in net position replaces the statement of revenues, expenses, and changes in net position and is reported using the accrual basis of accounting. Revenues and expenses are categorized as either operating or non-operating based upon definitions provided by the GASB.

## Condensed Financial Information

The District's financial operations remained solid during the fiscal year ended June 30, 2019. Revenues from water and sewer charges, taxes, and non-operating revenues were used to pay all operating expenses and debt service obligations.

**Net Position** – Net position, the difference between assets and liabilities, was \$10,340,240 and \$10,583,533 as of June 30, 2019 and 2018, respectively, as shown below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Assets</b>		
Current and Other Assets	\$ 1,509,102	\$ 2,016,970
Capital Assets, Net	<u>11,039,173</u>	<u>11,008,649</u>
Total Assets	<u>12,548,275</u>	<u>13,025,619</u>
<b>Liabilities</b>		
Current Liabilities	286,437	485,706
Long-Term Liabilities	<u>1,921,598</u>	<u>1,956,380</u>
Total Liabilities	<u>2,208,035</u>	<u>2,442,086</u>
<b>Net Position</b>		
Net Investment in Capital Assets	9,082,794	8,810,457
Restricted, Capital Improvements	320,632	319,991
Unrestricted	<u>936,814</u>	<u>1,453,085</u>
Total Net Position	<u>\$ 10,340,240</u>	<u>\$ 10,583,533</u>

*Capital Assets, Net* increased by \$30,524 due to additions, deletions, and current year depreciation. For detailed Capital Asset information, see note 3 to the basic financial statements which summarizes additions and deletions.

*Assets* – Current Assets were \$1,500,352 and \$2,008,220 as of June 30, 2019 and 2018, respectively, while noncurrent assets were \$11,047,923 and \$11,017,399 as of June 30, 2019 and 2018, respectively.

*Other Liabilities* – Current Liabilities were \$286,437 and \$485,706 as of June 30, 2019 and 2018, respectively.

*Total Net Position* was \$10,340,240 and \$10,583,533 as of June 30, 2019 and 2018, respectively. The District has restricted \$320,632 and \$319,991 of total net position for future capital improvement projects as of June 30, 2019 and 2018, respectively.

**Changes in Net Position** – Net position increased (decreased) by \$(243,293) and \$3,113,497 for the fiscal years ended June 20, 2019 and June 30, 2018, respectively, as shown below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total Operating Revenues	\$ 862,095	\$ 849,399
Total Operating Expenses	(1,135,308)	(983,259)
Non-Operating Revenue	<u>29,920</u>	<u>3,247,357</u>
Change in Net Position	(243,293)	3,113,497
Beginning Net Position	<u>10,583,533</u>	<u>7,470,036</u>
Ending Net Position	<u>\$ 10,340,240</u>	<u>\$ 10,583,533</u>

**Analytical Review of Revenues** – The District’s principal source of operating revenue is from water sales and sewer fees, while the primary source of other revenues is from grants received from the U.S. Department of Agriculture (USDA) and the State for the construction of the Waste Water Treatment Facility.

**Analytical Review of Expenses** – The District’s principal expenses are salaries, utility plant expenses, professional fees, and interest related charges to long-term debt.

**Capital Assets and Debt Administration**

**Capital Assets** – At June 30, 2019, the District had invested \$11,039,173 in capital assets, net of depreciation, an increase of \$30,524 from a total of \$11,008,649 as of June 30, 2018.

**Long-Term Debt** – At June 30, 2019, the District had \$1,921,598 in long-term debt outstanding, down \$34,782 from a total of \$1,956,380 as of June 30, 2018.

**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 Pixley Public Utility District, P.O. Box 535, Pixley, California 93256.

**PIXLEY PUBLIC UTILITY DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 1,415,577
Accounts Receivable	73,003
Prepaid Expenses	<u>11,772</u>
Total Current Assets	<u>1,500,352</u>

Noncurrent Assets

Capital Assets

Land	1,070,817
Buildings and Improvements	7,653,510
Sewer Treatment Plant	49,904
Wells, Pumps, and Pipelines	2,436,285
Equipment	131,073
Construction in Progress	2,310,534
Less Accumulated Depreciation	<u>(2,612,950)</u>

Total Capital Assets, Net of Depreciation	11,039,173
Other Assets	<u>8,750</u>

Total Noncurrent Assets	<u>11,047,923</u>
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<b>TOTAL ASSETS</b>	<b><u><u>\$ 12,548,275</u></u></b>
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**LIABILITIES**

Current Liabilities

Accounts Payable	\$ 109,301
Deposits from Customers	120,957
Interest Payable	21,398
Current Portion of Long-Term Debt	<u>34,781</u>

Total Current Liabilities	<u>286,437</u>
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Long-Term Liabilities	<u>1,921,598</u>
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Total Noncurrent Assets	<u>1,921,598</u>
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<b>TOTAL LIABILITIES</b>	<b><u>2,208,035</u></b>
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**NET POSITION**

Net Investment in Capital Assets	9,082,794
Restricted - Capital Improvements	320,632
Unrestricted	<u>936,814</u>

<b>TOTAL NET POSITION</b>	<b><u>10,340,240</u></b>
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<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u><u>\$ 12,548,275</u></u></b>
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The accompanying notes are an integral part of these basic financial statements.

**PIXLEY PUBLIC UTILITY DISTRICT  
STATEMENT OF ACTIVITIES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>OPERATING REVENUES</b>	
Water Charges	\$ 388,288
Sewer Charges	449,942
Other Water Fees	12,858
Other Sewer Fees	<u>11,007</u>
Total Operating Revenues	<u>862,095</u>
<b>OPERATING EXPENSES</b>	
Transmission and Distribution Expenses	469,032
Customer Accounting and Collection Expenses	96,857
General Expenses	270,998
Depreciation	<u>298,421</u>
Total Operating Expenses	<u>1,135,308</u>
Operating Loss	<u>(273,213)</u>
<b>NON-OPERATING REVENUE</b>	
Other Income	28,907
Interest	<u>1,013</u>
Total Non-Operating Revenue	<u>29,920</u>
Net Increase in Net Position	(243,293)
Net Position, Beginning of Year	<u>10,583,533</u>
Net Position, End of Year	<u><u>\$ 10,340,240</u></u>

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

**PIXLEY PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 1,152,299
Payments to Suppliers	(639,246)
Payments to Employees	<u>(192,267)</u>
Net Cash Provided by Operating Activities	<u>320,786</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other Noncapital Revenue	<u>28,907</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Expenditures	(325,535)
Finance Borrowing	(208,490)
Payments on Long-Term Debt	<u>(33,686)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(567,711)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	1,013
Proceeds from disposition of property and equipment	<u>(3,411)</u>
Net Decrease in Cash and Cash Equivalents	(220,416)
Cash and Cash Equivalents at Beginning of Year	<u>1,635,993</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,415,577</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (273,213)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	298,421
(Increase) Decrease in:	
Accounts Receivable	287,685
Prepaid Expenses	(233)
Increase in:	
Accounts Payable	5,607
Deposits from Customers	<u>2,519</u>
Net Cash Provided by Operating Activities	<u><u>\$ 320,786</u></u>

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

**PIXLEY PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

The Pixley Public Utility District (the District) was organized on January 28, 1947, under the statutes of 1921, Chapter 560, as amended and incorporated in the Public Utilities Code (PUC), Section 15501 and following, codified in 1953. On July 1, 1961, the District took over the plan and system of the Pixley Mutual Water Company and assumed the responsibility for its continued operation. The District now provides both water and sewer facilities for its members.

Basis of Accounting and Presentation

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District is accounted for as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, and its basic 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.

The District adopted GASB Statement No. 34, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that those resources be classified for accounting and reporting purposes into three net position categories, namely, net investment in capital assets, restricted net position, and unrestricted net position.

The District also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and applied the standards on a retroactive basis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial disclosure requirements.

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 the appraised value at the time of donation.

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>
Buildings and grounds	5 - 50 years
Improvements	2 - 50 years
Mobile equipment	3 - 30 years
Furniture, fixtures, and equipment	3 - 50 years

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

### Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets includes assets invested in capital assets that are reduced by the outstanding balances of any borrowing used for the acquisition or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. The remaining net position is unrestricted.

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.

### Classification of Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating or other revenues and expenses. For the fiscal year ended June 30, 2019, non-operating revenues included \$3,989 in Proposition 84 grant income received from the state of California.

### Cash and Cash Equivalents

Certain cash and cash equivalents are classified as restricted because their use is limited by applicable contracts or stipulations of the granting agency. Some of these restricted funds are 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.

### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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. All accounts receivable are deemed good by the District, no allowances are required.

### Property Tax Revenues

The District did not levy property taxes from 1967 to 1978, when Proposition 13 was passed. The District is now prohibited from receiving property taxes.

### Implementation of New Accounting Pronouncements

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

**GASB Statement No. 83** – *Certain Asset Retirement Obligations*. The requirements of this statement were effective for fiscal years beginning after June 15, 2018.

**GASB Statement No. 88** – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The requirements of this statement were effective for fiscal years beginning after June 15, 2018.

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

Recently released standards by GASB affecting future fiscal years are as follows:

**GASB Statement No. 84 – *Fiduciary Activities*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The District has not fully judged the impact of implementation of GASB No. 84 on the basic financial statements.

**GASB Statement No. 87 – *Leases*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District has not fully judged the impact of implementation of GASB Statement No. 87 on the basic financial statements.

**GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District has not fully judged the impact of implementation of GASB Statement No. 89 on the basic financial statements.

**GASB Statement No. 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The District has not fully judged the impact of implementation of GASB Statement No. 90 on the basic financial statements.

**GASB Statement No. 91 – *Conduit Debt Obligations*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The District has not fully judged the impact of implementation of GASB Statement No. 91 on the basic financial statements.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2019, consisted of the following:

General Cash	
Money Market – Suncrest Bank	\$ 248,572
Checking – Suncrest Bank	839,596
Capital Improvement Account	320,632
Petty Cash	50
Change Fund	1,000
Proposition 84	5,025
	<hr/>
	1,414,875
State Compensation Insurance Fund	
Deposit	702
	<hr/>
Total Cash and Cash Equivalents	<u><u>\$ 1,415,577</u></u>

**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, 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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$660,228 of the District's deposits with financial institutions were in excess of Federal Deposit Insurance Corporation limits and were not held in collateralized accounts.

**NOTE 3 – LINE OF CREDIT**

In November 2017, the District entered into a line of credit agreement with Rural Community Assistance Corporation for capital water system improvements expenditures. The District has available \$2,000,000 from the credit line, and the credit line bears interest at 5%. On November 1, 2018, the credit line was renewed through November 1, 2019. As of June 30, 2019, there is no balance due on the line of credit.

**NOTE 4 – PROPERTY AND EQUIPMENT**

A summary of changes in District capital assets is as follows:

	Balances June 30, 2018	Additions	Deletions and Transfers	Balances June 30, 2019
Land	\$ 1,041,122	\$ 29,695	\$ -	\$ 1,070,817
Buildings and Improvements	6,522,124	1,131,386	-	7,653,510
Wells, Pumps, and Pipelines	2,410,947	25,338	-	2,436,285
Machinery and Equipment	108,523	-	-	108,523
Sewer Tanks	49,904	-	-	49,904
Office Equipment	18,320	7,641	(3,411)	22,550
Construction in Progress	3,175,649	-	(865,115)	2,310,534
Property and Equipment - Gross	<u>13,326,589</u>	<u>1,194,060</u>	<u>(868,526)</u>	<u>13,652,123</u>
Less: Accumulated Depreciation	<u>(2,317,940)</u>	<u>(295,010)</u>	<u>-</u>	<u>(2,612,950)</u>
Property and Equipment - Net	<u>\$ 11,008,649</u>	<u>\$ 899,050</u>	<u>\$ (868,526)</u>	<u>\$ 11,039,173</u>

Depreciation and amortization expense for the fiscal year ended June 30, 2019, was \$298,421.

**Summary of Sewer and Water Systems**

	Sewer System	Water System	Total
Total Property and Equipment	\$ 7,796,358	\$ 5,855,765	\$ 13,652,123
Less: Accumulated Depreciation	<u>(1,643,090)</u>	<u>(969,860)</u>	<u>(2,612,950)</u>
Property and Equipment - Net	<u>\$ 6,153,268</u>	<u>\$ 4,885,905</u>	<u>\$ 11,039,173</u>

**NOTE 5 – LONG-TERM DEBT**

Certificate of Participation (COP) with the United States Department of Agriculture Rural Development (USDA RD) matures in 2048; payable in annual principal and interest installments between \$6,356 and \$33,565, including interest at 4.375%, secured by net revenues.

	\$	572,599
Less: current portion		<u>10,180</u>
COP - USDA RD #1 (Long-term)	<u>\$</u>	<u>562,419</u>

The following is a summary of transactions for COP – USDA RD #1 during the year.

	<u>Balance June 30, 2018</u>	<u>Additional Debt</u>	<u>Debt Retirement</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
COP - USDA RD #1	<u>\$ 582,352</u>	<u>\$ -</u>	<u>\$ (9,753)</u>	<u>\$ 572,599</u>	<u>\$ 10,180</u>

The annual requirements to amortize the principal of the debt outstanding as of June 30, 2019, for COP – USDA RD #1 are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 10,180
2021	10,625
2022	11,090
2023	11,575
2024	12,081
2025-2029	68,813
2030-2034	85,243
2035-2039	105,593
2040-2044	130,804
2045-2048	<u>126,595</u>
	<u>\$ 572,599</u>

COP with USDA RD matures in 2048; payable in annual principal and interest installments between \$15,360 and \$81,117, including interest at 4.375%, secured by net revenues.

	\$	1,383,780
Less: current portion		<u>24,601</u>
COP - USDA RD #2 (Long-term)	<u>\$</u>	<u>1,359,179</u>

The following is a summary of transactions for COP – USDA RD #2 during the year.

	<u>Balance June 30, 2018</u>	<u>Additional Debt</u>	<u>Debt Retirement</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
COP - USDA RD #2	<u>\$ 1,407,350</u>	<u>\$ -</u>	<u>\$ (23,570)</u>	<u>\$ 1,383,780</u>	<u>\$ 24,601</u>

**NOTE 5 – LONG-TERM DEBT** (Continued)

The annual requirements to amortize the principal of the debt outstanding as of June 30, 2019, for COP – USDA RD #2 are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 24,601
2021	25,677
2022	26,800
2023	27,973
2024	29,197
2025-2029	166,298
2030-2034	206,002
2035-2039	255,183
2040-2044	316,108
2045-2048	<u>305,941</u>
	<u>\$ 1,383,780</u>

**NOTE 6 – SUBSEQUENT EVENTS**

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the basic financial statements. Management has determined no event requires disclosure in accordance with accounting standards.

These subsequent events have been evaluated through December 16, 2019, which is the date the basic financial statements were issued.

**SUPPLEMENTARY INFORMATION**

**PIXLEY PUBLIC UTILITY DISTRICT  
COMBINING STATEMENT OF NET POSITION BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>ASSETS</b>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 846,373	\$ 569,204	\$ 1,415,577
Accounts Receivable			
Utilities	21,901	51,102	73,003
Prepaid Expenses	5,886	5,886	11,772
Capital Assets			
Land	535,409	535,409	1,070,817
Buildings and Improvements	2,221,689	5,431,821	7,653,510
Sewer Treatment Plant	-	49,904	49,904
Wells, Pumps, and Pipelines	1,826,441	609,844	2,436,285
Equipment	66,370	64,703	131,073
Construction in Progress	1,092,470	1,218,064	2,310,534
Less Accumulated Depreciation	<u>(969,860)</u>	<u>(1,643,090)</u>	<u>(2,612,950)</u>
Total Capital Assets, Net of Depreciation	4,772,519	6,266,655	11,039,173
Other Assets	<u>4,375</u>	<u>4,375</u>	<u>8,750</u>
<b>Total Assets</b>	<u><u>\$ 5,651,054</u></u>	<u><u>\$ 6,897,223</u></u>	<u><u>\$ 12,548,275</u></u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities			
Accounts Payable	\$ 54,651	\$ 54,651	\$ 109,301
Deposits from Customers	120,957	-	120,957
Interest Payable	-	21,398	21,398
Current Portion of Long-Term Debt	-	34,781	34,781
Long-Term Debt	<u>-</u>	<u>1,921,598</u>	<u>1,921,598</u>
<b>Total Liabilities</b>	<u>175,608</u>	<u>2,032,428</u>	<u>2,208,035</u>
Net Position			
Net Investment in Capital Assets	4,772,519	4,310,276	9,082,794
Net Position - Restricted, Capital Improvements	-	320,632	320,632
Net Position - Unrestricted	<u>702,928</u>	<u>233,887</u>	<u>936,814</u>
<b>Total Net Position</b>	<u>5,475,446</u>	<u>4,864,795</u>	<u>10,340,240</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 5,651,054</u></u>	<u><u>\$ 6,897,223</u></u>	<u><u>\$ 12,548,275</u></u>

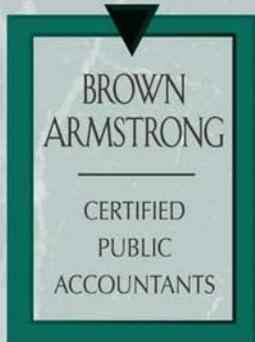
**PIXLEY PUBLIC UTILITY DISTRICT  
COMBINING STATEMENT OF ACTIVITIES  
AND CHANGES IN NET POSITION BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Water - Metered	\$ 388,288	\$ -	\$ 388,288
Sewer Charges	-	449,942	449,942
Other and Connection Fees	15,451	8,414	23,865
Total Operating Revenues	<u>403,739</u>	<u>458,356</u>	<u>862,095</u>
<b>OPERATING EXPENSES</b>			
Transmission and Distribution Expenses	272,501	196,531	469,032
Customer Accounting and Collection Expenses	48,127	48,730	96,857
General Expenses	97,423	173,575	270,998
Depreciation	130,218	168,203	298,421
Total Operating Expenses	<u>548,269</u>	<u>587,039</u>	<u>1,135,308</u>
Operating Loss	<u>(144,530)</u>	<u>(128,683)</u>	<u>(273,213)</u>
<b>NON-OPERATING REVENUE</b>			
Interest	507	506	1,013
Grants	3,989	-	3,989
Other Non-Operating Income	7,450	7,451	14,901
Tait Property Reimbursements	5,008	5,009	10,017
Total Non-Operating Revenue	<u>16,954</u>	<u>12,966</u>	<u>29,920</u>
Net Decrease in Net Position	(127,576)	(115,717)	(243,293)
Net Position, Beginning of Year	<u>5,603,022</u>	<u>4,980,511</u>	<u>10,583,533</u>
Net Position, Ending of Year	<u>\$ 5,475,446</u>	<u>\$ 4,864,794</u>	<u>\$ 10,340,240</u>

**PIXLEY PUBLIC UTILITY DISTRICT  
STATEMENT OF OPERATING EXPENSES BY ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Water	Sewer	Total
<b>Transmission and Distribution Expenses</b>			
Labor	\$ 60,318	\$ 60,317	\$ 120,635
Payroll Taxes	4,615	4,614	9,229
Repairs to Equipment and System	61,181	32,136	93,317
Utilities	109,010	36,185	145,195
Tools and Shop Supplies	14,597	18,090	32,687
Insurance	3,613	3,614	7,227
California Water Fees	-	29,478	29,478
Department of Health	4,950	-	4,950
Auto Maintenance	2,405	2,406	4,811
Water and Sewer Testing	11,812	9,691	21,503
<b>Total Transmission and Distribution Expenses</b>	<b>\$ 272,501</b>	<b>\$ 196,531</b>	<b>\$ 469,032</b>
<b>Customer Accounting and Collection Expenses</b>			
Clerks	\$ 35,816	\$ 35,816	\$ 71,632
Postage	4,444	4,443	8,887
Office Supplies	4,932	5,535	10,467
Payroll Taxes	2,740	2,740	5,480
Insurance	177	178	355
Bank Charges	18	18	36
<b>Total Customer Accounting and Collection Expenses</b>	<b>\$ 48,127</b>	<b>\$ 48,730</b>	<b>\$ 96,857</b>
<b>General Expenses</b>			
Bank Charge Expense	\$ 158	\$ 157	\$ 315
Telephone Expense	9,811	9,258	19,069
Fuel/Mileage	2,962	2,918	5,880
Advertising and Publication	696	634	1,330
Utilities	1,665	1,666	3,331
Building and Ground Maintenance	12,083	3,609	15,692
Accounting	8,262	8,263	16,525
Engineering	38,663	39,662	78,325
Legal	10,505	10,505	21,010
Licenses/Permits	747	352	1,099
Insurance	7,732	7,731	15,463
Interest	-	86,685	86,685
Irrigation Taxes	230	230	460
Other	3,909	1,905	5,814
<b>Total General Expenses</b>	<b>\$ 97,423</b>	<b>\$ 173,575</b>	<b>\$ 270,998</b>

## **OTHER REPORT**



# BROWN ARMSTRONG

*Certified Public Accountants*

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

Board of Directors  
Pixley Public Utility District  
Pixley, California

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Pixley Public Utility District (the District), as of and for the fiscal year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2019.

### **Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's basic 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 basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
December 16, 2019