

UNION PUBLIC UTILITY DISTRICT

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Union Public Utility District
Murphys, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Union Public Utility District (the "District") as of and for the year ended June 30, 2024, and the related notes to the 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 financial position of the District, as of June 30, 2024, and the changes in its financial position and its cash flows for the 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 generally accepted auditing standards 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 generally accepted auditing standards 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 22 and 23 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2026, 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.

A handwritten signature in black ink, appearing to read "Ryan Foley", with a stylized flourish at the end.

Fresno, California
August 13, 2026

UNION PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2024

ASSETS

Current assets

Cash and investments	\$ 2,935,256
Accounts receivable, net	225,493
Interest receivable	7,599
Prepays	<u>49,191</u>
Total current assets	<u>3,217,539</u>

Non-current assets

Property, plant, and equipment - net of accumulated depreciation	<u>4,842,605</u>
Total non-current assets	<u>4,842,605</u>

Total assets	<u>8,060,144</u>
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DEFERRED OUTFLOWS OF RESOURCES

317,976

LIABILITIES

Current liabilities

Accounts payable	66,862
Accrued wages payable	26,592
Current portion of long-term debt	<u>24,590</u>
Total current liabilities	<u>118,044</u>

Non-current liabilities

Compensated absences	82,199
Net pension liability	<u>589,703</u>
Total non-current liabilities	<u>671,902</u>

Total liabilities	<u>789,946</u>
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DEFERRED INFLOWS OF RESOURCES

26,948

NET POSITION

Net investment in capital assets	4,818,015
Unrestricted	<u>2,743,210</u>
Total net position	<u>\$ 7,561,225</u>

UNION PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2024

Operating Revenue

Water sales	\$ 2,046,829
Transfer connection and meter fees	<u>58,000</u>
Total operating revenue	<u>2,104,829</u>

Operating Expense

Water treatment	697,033
Transmission and distribution	676,785
Administrative and customer services	899,520
Depreciation	<u>300,068</u>
Total operating expense	<u>2,573,406</u>

Operating income/(loss)	<u>(468,577)</u>
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Non-operating Revenue/(Expense)

Property taxes	162,918
Interest income	123,770
Other income	<u>5,035</u>
Total non-operating revenue/(expense)	<u>291,723</u>

Change in Net Position	(176,854)
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Net Position

Beginning of year	<u>7,738,079</u>
End of year	<u>\$ 7,561,225</u>

UNION PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2024

Operating Activities

Receipts from customers and users	\$ 2,091,906
Payments to suppliers for goods and services	(1,138,282)
Payments to employees for services	<u>(1,025,891)</u>
Net cash provided by/(used in) operating activities	<u>(72,267)</u>

Non-capital Financing Activities

Property taxes received	162,918
Other income	<u>5,035</u>
Net cash provided by non-capital financing activities	<u>167,953</u>

Capital and Related Financing Activities

Acquisition of capital assets	(470,055)
Loan proceeds	42,500
Principal paid on long-term debt	<u>(17,910)</u>
Net cash used in capital and related financing activities	<u>(445,465)</u>

Investing Activities

Interest received	<u>138,404</u>
Net cash provided by investing activities	<u>138,404</u>

Net Decrease in Cash and Investments (211,375)

Cash and Investments

Beginning of year	<u>3,146,631</u>
End of year	<u><u>\$ 2,935,256</u></u>

Cash Flows from Operating Activities

Operating income (loss)	\$ (468,577)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	300,068
(Increase) Decrease in accounts receivable, net	(12,923)
(Increase) Decrease in prepaids	(6,941)
(Increase) Decrease in deferred outflows of resources	630
Increase (Decrease) in payables and accrued expenses	34,557
Increase (Decrease) in accrued wages payable	26,592
Increase (Decrease) in net pension liability	63,762
Increase (Decrease) in deferred inflows of resources	(16,763)
Increase (Decrease) in compensated absences	<u>7,328</u>

Net Cash Provided by/(Used in) Operating Activities \$ (72,267)

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Union Public Utility District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

Reporting Entity

The District was established July 23, 1946, for the purpose of supplying domestic and agricultural water to property within the District which includes the unincorporated communities of Murphys, Douglas Flat, Vallecito, Carson Hill and Six-Mile Village. The water supply and distribution system was acquired on January 1, 1961, from the Calaveras Water Users Association. Operations are conducted under provisions of the Community Services District Laws.

Basis of Accounting

The District accounts for its operations in an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific government activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water service. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Financial Statement Amounts

Cash and Investments – Cash and investments represent the District's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at fair value.

Accounts Receivable – Billings for water services are sent monthly and are reflected on the accrual basis of accounting. Delinquent accounts are submitted to Calaveras County and are attached to the County tax rolls.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets – Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets in service are depreciated using the straight-line method over the following estimated useful lives:

	Years
Water Treatment	25 - 50
Transmission and Distribution	25 - 50
Equipment	5 - 10

Compensated Absences – The District allows employees to accumulate unused vacation leave to a maximum of 400 hours. Upon termination, accumulated vacation that was not taken will be paid to the employee. Sick leave is not paid upon termination but will be paid only upon illness while in the employment of the District.

Vested or accumulated vacation leave time that is expected to be paid with expendable available financial resources is recorded as an expense and liability as the benefits accrue.

Long-Term Obligations – Long-term debt and other obligations are reported as District liabilities.

Pension Plan – All full-time District employees are members of the State of California Public Employees' Retirement System. The District's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. See Note 6 for further discussion.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's Pension Plan and additions to/deductions from the District's Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the District's Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when they are due and payable in accordance with the benefit terms. Investments are reported at fair value.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

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

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

When an expense is incurred for the purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Revenues and Expenses – The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principle operating revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property Tax – Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Calaveras bills and collects the taxes for the District. Tax revenues are recognized by the District when billed.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 2 – Cash and Investments

Cash and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 2,935,256
Total Cash and Investments	<u>\$ 2,935,256</u>

Cash and investments as of June 30, 2024 consist of the following:

Cash on hand	\$ 200
Deposits with financial institutions	127,629
California CLASS Government Investment Pool	2,802,297
Local Agency Investment Fund	<u>5,130</u>
Total Cash and Investments	<u>\$ 2,935,256</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows: Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date; Level 2 Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly; Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District's investments' fair value measurements are as follows at June 30, 2024:

	Fair Value Measurements	
	Fair Value	Level 2 Inputs
Investments by fair value level:		
Local Agency Investment Fund (LAIF)	\$ 5,130	\$ 5,130
California CLASS Government Investment Pool	<u>2,802,297</u>	<u>2,802,297</u>
Total Investments	<u>\$ 2,807,427</u>	<u>\$ 2,807,427</u>

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 2 – Cash and Investments (Continued)

Investments Authorized by the District's Investment Policy

The California Government Code allows the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District. The following also identifies certain provisions of the District and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The following table identifies the District's investments by type as authorized by the California Government Code:

	Maximum Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirements	Government Code Sections
Joint Powers Authority Pool	N/A	None	Multiple ¹	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1

¹ A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The following table shows the maturity date of each investment as of June 30, 2024:

<u>Investment Type</u>	<u>Total</u>	<u>Maturity Date</u>
Local Agency Investment Fund (LAIF)	\$ 5,130	N/A
California CLASS Government Investment Pool	<u>2,802,297</u>	N/A
Total	<u><u>\$ 2,807,427</u></u>	

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 2 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type:

Investment Type	Total	Rating as of Year-End	
		AAAm	Not Rated
Local Agency Investment Fund (LAIF)	\$ 5,130	\$ -	\$ 5,130
California CLASS Government Investment Pool	<u>2,802,297</u>	<u>2,802,297</u>	<u>-</u>
Total Investments	<u>\$ 2,807,427</u>	<u>\$ 2,802,297</u>	<u>\$ 5,130</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer beyond maximums stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District deposits are not secured with collateral securities by the financial institution holding its deposits. Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. The District deposits at times exceed insured amounts due to temporary transfers to/from investment accounts. Management does not believe this temporary situation poses a significant risk.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

The custodial risk for investments is the risk that, in the event of the failure of the counterparty 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Certificates of Deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per ownership category but are not protected by the Securities Investor Protection Corporation; Money Market Funds (and Instruments) are neither insured nor guaranteed by the FDIC or any other government agency; Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investment in State Investment Pool – The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

California CLASS Prime Fund Local Government Investment Pool (CLASS Prime) – The California Cooperative Liquid Assets Securities System, doing business as the "California CLASS", is a California joint powers authority created pursuant to Title 1, Division 7, Chapter 5 of the California Government Code. As a joint powers authority, California CLASS provides professionally managed pooled investment programs for Participants. California CLASS is governed by a Board of Trustees and is sponsored by the California Special Districts Association (CSDA) and the League of California Cities (Cal Cities and together with CSDA, the Sponsors). The District is a voluntary participant in CLASS Prime, CLASS Prime is a California CLASS investment pool that provides public agencies the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering participants safety, daily and next-day liquidity, and optimized returns. California GLASS is managed as a stable NAV pool but does not meet all the specific criteria outlined in GASB 79 paragraph 4, therefore participants report their investments in the pool at fair value, provided by California CLASS.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 3 – Property, Plant and Equipment

The details of property, plant and equipment at June 30 are as follows:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Capital assets, not being depreciated				
Land	\$ 117,464	\$ -	\$ -	\$ 117,464
Construction in progress	86,179	337,372	(18,758)	404,793
Total capital assets, not being depreciated	<u>203,643</u>	<u>337,372</u>	<u>(18,758)</u>	<u>522,257</u>
Capital assets, being depreciated				
Treatment plant	7,108,061	-	-	7,108,061
Utility system - infrastructure	3,494,876	4,826	-	3,499,702
Donated property	232,427	-	-	232,427
Buildings and equipment	850,888	146,615	-	997,503
Total capital assets, being depreciated	<u>11,686,252</u>	<u>151,441</u>	<u>-</u>	<u>11,837,693</u>
Less accumulated depreciation for				
Treatment plant	(4,261,282)	(177,890)	-	(4,439,172)
Utility system - infrastructure	(2,198,230)	(67,017)	-	(2,265,247)
Donated property	(148,771)	(4,649)	-	(153,420)
Buildings and equipment	(608,994)	(50,512)	-	(659,506)
Total accumulated depreciation	<u>(7,217,277)</u>	<u>(300,068)</u>	<u>-</u>	<u>(7,517,345)</u>
Total capital assets, being depreciated, net	<u>4,468,975</u>	<u>(148,627)</u>	<u>-</u>	<u>4,320,348</u>
Total capital assets, net	<u>\$ 4,672,618</u>	<u>\$ 188,745</u>	<u>\$ (18,758)</u>	<u>\$ 4,842,605</u>

Note 4 – Long-Term Debt

The following is a summary of the changes in other non-current liabilities at June 30, 2024:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Current Portion
<i>Direct Borrowing:</i>					
Loan Payable	\$ -	\$ 42,500	\$ (17,910)	\$ 24,590	\$ 24,590
Total Business-Type Activity Debt	<u>\$ -</u>	<u>\$ 42,500</u>	<u>\$ (17,910)</u>	<u>\$ 24,590</u>	<u>\$ 24,590</u>
	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	
Compensated absences	\$ 74,871	\$ 7,328	\$ -	\$ 82,199	
Net Pension Liability	<u>\$ 525,941</u>	<u>\$ 63,762</u>	<u>\$ -</u>	<u>\$ 589,703</u>	

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 4 – Long-Term Debt (continued)

Loan Payable

In February 2024, the District entered into an installment loan agreement in the amount of \$42,500 with the First Business Speciality to finance the purchase of a vacumm trailer. Terms of the loan include: a 10-month term with annual interest of 2.453%; monthly debt service payments, including principal and interest, total \$3,542, commencing on March 2024 and maturing on December 2024.

The future debt service requirements for the loan payable is as follows:

Years ending June 30,	Principal	Interest	Total
2025	\$ 24,590	\$ 201	\$ 24,791
	<u>\$ 24,590</u>	<u>\$ 201</u>	<u>\$ 24,791</u>

Note 5 – Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports one item, \$317,976 in deferred outflows related to net pension liability in the Statement of Net Position. See Note 6 for details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports one item, \$26,948 in deferred inflows related to net pension liability in the Statement of Net Position. See Note 6 for details.

Note 6 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description – The District’s defined benefit pension plan, the California Public Employees’ Retirement System (CalPERS), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS is part of the Public Agency portion of the CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 6 – Defined Benefit Pension Plan (Continued)

Funding Policy – Active plan members in the District’s defined pension plan are required to contribute 7% of their annual salary. The District has elected to make the employee contribution and the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2024 was 7.680-10.100%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The Plans’ provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous	PEPRA
	Prior to January 1, 2013	January 1, 2013 and after
Hire Date		
Benefit Formula	2.0% at 60; maximum 2% COLA	2.0% at 62; maximum 2% COLA
Benefit Vesting Schedule	36 mos.	36 mos.
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	62
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	7.75%
Required Employer Contribution Rates	10.100%	7.680%

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

For the year ended June 30, 2024, the contributions recognized as part of the pension expense was \$85,528.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 6 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2024, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Total Net Pension Liability - Miscellaneous	\$ 589,703

General Information about the Pension Plan

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2024 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2023	0.01124%
Proportion – June 30, 2024	0.01179%
Change – Increase/(Decrease)	0.00055%

For the year ended June 30, 2024, the District recognized pension expense of \$146,807. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 99,176	\$ -
Changes in assumptions	35,603	-
Differences in projected and actual experience	30,125	(4,673)
Differences between employer's contributions and proportionate share of contributions	-	(22,275)
Differences between projected and actual investment earnings	95,479	-
Change in employer's proportion	57,593	-
Total	<u>\$ 317,976</u>	<u>\$ (26,948)</u>

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 6 – Defined Benefit Pension Plan (Continued)

\$99,176 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2025	\$ 65,805
2026	47,986
2027	75,320
2028	2,741
Thereafter	-

Actuarial Assumptions – The collective total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' ¹ Membership Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹ The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 6 – Defined Benefit Pension Plan (Continued)

Change of assumptions – None.

Discount rate – The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2023.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 6 – Defined Benefit Pension Plan (Continued)

The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 ^{1,2}
Global equity - cap-weighted	30%	4.45%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	27.00%
Mortgage-back securities	5%	50.00%
Investment grade corporates	10%	1.56%
High Yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-59.00%
Total	100%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90%) or 1-percentage point higher (7.90%) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Net Pension Liability	\$ 957,084	\$ 589,703	\$ 287,318

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issue CalPERS financial reports.

Payable to the Pension Plan – At June 30, 2024, the District has no amount to report as outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

Note 7 – Compensated Absences

All earned vacation hours, holiday, and compensating time is payable upon termination or retirement and are accrued as compensated absences. Compensated absences liability is calculated in accordance with GASB Statement No. 16.

UNION PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 8 – Risk Management

The District is exposed to various risks of loss to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium for its general insurance coverage. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance.

Note 9 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through August 13, 2026, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024, that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

UNION PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST 10 YEARS* AS OF JUNE 30, 2024

	Proportion of the net	Proportionate share of the	Covered - employee	Proportionate share of the net pension liability as a percentage of covered-employee	Plan's fiduciary net position as a percentage of the Total Pension		
	pension liability	net pension liability	payroll	payroll	Plan's fiduciary net position	Liability	
2015	0.52800%	\$ 328,685	\$ 343,105	95.80%	\$ 936,016	74.01%	
2016	0.01047%	\$ 287,410	\$ 421,728	68.15%	\$ 1,106,275	79.37%	
2017	0.01048%	\$ 364,105	\$ 302,326	120.43%	\$ 1,203,767	76.78%	
2018	0.01062%	\$ 418,565	\$ 314,078	133.27%	\$ 1,453,770	77.64%	
2019	0.01027%	\$ 386,997	\$ 395,123	97.94%	\$ 1,629,807	80.81%	
2020	0.01029%	\$ 412,186	\$ 388,755	97.94%	\$ 1,652,399	80.04%	
2021	0.01037%	\$ 437,453	\$ 404,924	108.03%	\$ 1,795,158	80.41%	
2022	0.00808%	\$ 153,412	\$ 394,023	38.93%	\$ 2,200,413	93.48%	
2023	0.01124%	\$ 525,941	\$ 544,573	96.58%	\$ 1,977,262	78.99%	
2024	0.01179%	\$ 589,703	\$ 607,127	97.13%	\$ 2,126,686	78.29%	

Changes of Assumptions: None

UNION PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS

LAST 10 YEAR*

AS OF JUNE 30, 2024

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2015	\$ 53,888	\$ (53,888)	\$ -	\$ 343,105	15.71%
2016	\$ 53,291	\$ (53,291)	\$ -	\$ 421,728	12.64%
2017	\$ 51,659	\$ (51,659)	\$ -	\$ 302,326	17.09%
2018	\$ 53,479	\$ (53,479)	\$ -	\$ 314,078	17.03%
2019	\$ 56,704	\$ (56,704)	\$ -	\$ 395,123	14.35%
2020	\$ 68,152	\$ (68,152)	\$ -	\$ 388,755	17.53%
2021	\$ 78,787	\$ (78,787)	\$ -	\$ 404,924	19.46%
2022	\$ 59,294	\$ (59,294)	\$ -	\$ 394,023	15.05%
2023	\$ 69,924	\$ (69,924)	\$ -	\$ 544,573	12.84%
2024	\$ 85,528	\$ (85,528)	\$ -	\$ 607,127	14.09%

RYAN P. JOLLEY

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

Ryan P. Jolley C.P.A.

Bryant L. Jolley C.P.A.

Darry L. Smith C.P.A.

Luis A. Perez C.P.A.

Brandon J. Lang C.P.A.

Lan T. Kimoto

Kali A. Kaakah

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*

To the Board of Directors
Union Public Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Union Public Utility District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 13, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

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*.

Union Public Utility District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Union Public Utility District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Union Public Utility District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Ryan Jolley", with a stylized flourish at the end.

Fresno, California
August 13, 2026

UNION PUBLIC UTILITY DISTRICT

SCHEDULE OF FINDINGS AS OF JUNE 30, 2024

2024-001: Internal Controls over Financial Reporting (Material Weakness)

Criteria

A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process in order to accurately and completely close the current year general ledger in a timely manner. Management is responsible for maintaining its accounting records in accordance with account principles generally accepted in the United States of America (U.S. GAAP).

Condition

We have determined that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2024 were not effective, which contributed to the delayed accounting close of the District's trial balance and unpreparedness for the audit. Specific financial statement areas that required corrections and adjustments throughout the process included:

- Cash and investments
- Fixed assets and related depreciation
- Prepaids
- Accounts payable
- Accounts and interest receivable
- Loan issuance and payments
- No oversight over year-end closing
- Compensated absences, wages payable and related expenses

Cause

The District did not have adequate controls and procedures in place for the year-end close process.

Effect

The financial statements as initially presented to the auditors contained material misstatements that required adjustments.

Recommendation

We recommend that the District perform the following steps in order to address the matters described above.

- Create a closing checklist to assist with the preparation of audit schedules that are complete, accurate, and reconciled to the District's general ledger account balances. Additionally, ensure that a system is in place to allow the District to perform this in a timely matter.

Management Response

The District concurs with your independent audit findings and staff are working on a process, which may include establishing a closing process, establishing a timeline, and/or enlisting additional support, possibly through part-time accounting personnel.

UNION PUBLIC UTILITY DISTRICT

SCHEDULE OF FINDINGS AS OF JUNE 30, 2024

Finding 2024-002: Cash & Investments (Material Weakness)

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

There was a failure to perform bank reconciliations accurately and timely for the June 30, 2024 fiscal year. Bank reconciliations for the fiscal year were not completed until July 2026..

Cause

The overall process for cash and investment reconciliations was not being completed properly. Bank reconciliations were not being prepared or reviewed timely. Unfamiliarity with the bank reconciliation process lead to inconsistencies in how transactions were being recorded.

Effect

Untimely preparation and review of bank reconciliations increases the risk that errors go undetected. Cash and investment balances as presented are not reflective of their true balances.

Recommendation

Management concurs with the auditor recommendations regarding the cash and investment reconciliation procedures. Further, the District recognizes that staffing changes and outdated reconciliation processes contributed to the delayed reconciliations and expects that all backlogs will be cleared within the next 60 days. Moving forward, the District will complete monthly reconciliations within 30 days of month-end and the reconciliations will be reviewed by the General Manager and Board Treasurer.