

**CHESTER PUBLIC UTILITY DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2024**



**CHESTER PUBLIC UTILITY DISTRICT**

**CHESTER, CALIFORNIA**

**JUNE 30, 2024**

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| <b>MEMBER</b>  | <b>OFFICE</b> | <b>TERM EXPIRES</b> |
|----------------|---------------|---------------------|
| Steve Voboril  | Chairman      | December 2025       |
| Kimberly Green | Vice Chairman | December 2027       |
| Royce Raker    | Director      | December 2025       |
| Steve Graffweg | Director      | December 2027       |
| Susan Martinez | Director      | December 2025       |

**ADMINISTRATION**

|                   |                  |
|-------------------|------------------|
| Adam Cox          | General Manager  |
| Cheryl Johnson    | Office Manager   |
| Matthew Balzarini | ESD / Fire Chief |

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**CHESTER PUBLIC UTILITY DISTRICT**

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Chester Public Utility District  
Chester, California

### REPORT ON THE FINANCIAL STATEMENTS

#### *Opinions*

We have audited the financial statements of the each major fund of Chester Public Utility District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Chester Public Utility District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of each major fund of Chester Public Utility District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 Chester Public Utility 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*

Chester Public Utility District's 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 Chester Public Utility 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.

RTDENNIS  
ACCOUNTANCY

### ***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 GAAS 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 GAAS 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 Chester Public Utility District's internal control. Accordingly, no such opinion is expressed.<sup>5</sup>
- ❖ 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 Chester Public Utility District's ability to continue as a going concern for a reasonable period of time.

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

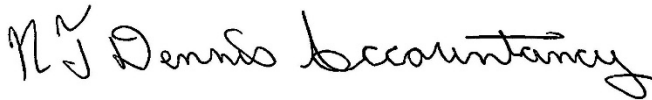
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the pension schedules, and other postemployment schedules on pages 25–27, 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.

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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2025 on our consideration of Chester Public Utility 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.<sup>11</sup> 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 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 Chester Public Utility District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "M J Dennis Accountancy". The signature is written in a cursive, flowing style.

June 4, 2025

## **BASIC FINANCIAL STATEMENTS**

CHESTER PUBLIC UTILITY DISTRICT

STATEMENTS OF NET POSITION  
JUNE 30, 2024

|                                                                           | Lighting | Water        | Sewer        | Fire Funds   | Total        |
|---------------------------------------------------------------------------|----------|--------------|--------------|--------------|--------------|
| <b>ASSETS</b>                                                             |          |              |              |              |              |
| <b>Current assets</b>                                                     |          |              |              |              |              |
| Cash and cash equivalents                                                 | \$ -     | \$ 163,652   | \$ 954,636   | \$ 97,574    | \$ 1,215,862 |
| Accrued receivables                                                       | -        | 84,596       | 65,617       | 554,559      | 704,772      |
| Due from other funds                                                      | -        | 108,088      | 1,675,096    | 3,668,489    | 5,451,673    |
| <b>Total current assets</b>                                               | -        | 356,336      | 2,695,349    | 4,320,622    | 7,372,307    |
| <b>Non-current assets</b>                                                 |          |              |              |              |              |
| Capital assets, non-depreciable                                           | -        | 41,048       | 188,497      | 7,000        | 236,545      |
| Capital assets, depreciable                                               | -        | 1,550,491    | 3,402,841    | 480,156      | 5,433,488    |
| <b>Total non-current assets</b>                                           | -        | 1,591,539    | 3,591,338    | 487,156      | 5,670,033    |
| <b>Total Assets</b>                                                       | -        | 1,947,875    | 6,286,687    | 4,807,778    | 13,042,340   |
| <b>DEF. OUT. OF RESOURCES</b>                                             | -        | 189,000      | 189,000      | 716,000      | 1,094,000    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | \$ -     | \$ 2,136,875 | \$ 6,475,687 | \$ 5,523,778 | \$14,136,340 |
| <b>LIABILITIES</b>                                                        |          |              |              |              |              |
| <b>Current liabilities</b>                                                |          |              |              |              |              |
| Accrued payables                                                          | \$ -     | \$ 12,905    | \$ 13,284    | \$ 237,399   | \$ 263,588   |
| Due to other funds                                                        | -        | -            | 980,268      | 4,471,405    | 5,451,673    |
| Current portion of long-term debt                                         | -        | 9,642        | 9,642        | -            | 19,284       |
| <b>Total current liabilities</b>                                          | -        | 22,547       | 1,003,194    | 4,708,804    | 5,734,545    |
| <b>Non-current liabilities</b>                                            |          |              |              |              |              |
| Customer deposits                                                         | -        | 6,558        | 8,982        | -            | 15,540       |
| Long-term liabilities                                                     | -        | 965,865      | 965,865      | 2,754,000    | 4,685,730    |
| <b>Total non-current liabilities</b>                                      | -        | 972,423      | 974,847      | 2,754,000    | 4,701,270    |
| <b>Total Liabilities</b>                                                  | -        | 994,970      | 1,978,041    | 7,462,804    | 10,435,815   |
| <b>DEF. IN. OF RESOURCES</b>                                              | -        | 5,000        | 5,000        | 36,000       | 46,000       |
| <b>NET POSITION</b>                                                       |          |              |              |              |              |
| Net investment in capital assets                                          | -        | 1,562,032    | 3,561,831    | 487,156      | 5,611,019    |
| Unrestricted - (Deficit)                                                  | -        | (425,127)    | 930,815      | (2,462,182)  | (1,956,494)  |
| <b>Total Net Position (Deficit)</b>                                       | -        | 1,136,905    | 4,492,646    | (1,975,026)  | 3,654,525    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | \$ -     | \$ 2,136,875 | \$ 6,475,687 | \$ 5,523,778 | \$14,136,340 |

The accompanying notes are an integral part of these financial statements

**CHESTER PUBLIC UTILITY DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2024**

|                                                | <b>Lighting</b> | <b>Water</b> | <b>Sewer</b> | <b>Fire Funds</b> | <b>Total</b> |
|------------------------------------------------|-----------------|--------------|--------------|-------------------|--------------|
| <b>OPERATING REVENUE</b>                       |                 |              |              |                   |              |
| Sales                                          | \$ -            | \$ 624,423   | \$ 547,384   | \$ 946,190        | \$ 2,117,997 |
| Services                                       | -               | -            | -            | 40,273            | 40,273       |
| Miscellaneous                                  | -               | 28,542       | 27,804       | -                 | 56,346       |
| <b>Total operating revenue</b>                 | -               | 652,965      | 575,188      | 986,463           | 2,214,616    |
| <b>OPERATING EXPENSE</b>                       |                 |              |              |                   |              |
| Salaries                                       | -               | 150,605      | 151,566      | 1,156,530         | 1,458,701    |
| Benefits                                       | -               | 148,425      | 148,250      | 701,910           | 998,585      |
| Supplies                                       | -               | 27,296       | 56,290       | 21,573            | 105,159      |
| Services and other operating                   | 30,847          | 309,870      | 307,417      | 267,755           | 915,889      |
| Depreciation                                   | -               | 81,726       | 150,752      | 57,118            | 289,596      |
| <b>Total operating expenses</b>                | 30,847          | 717,922      | 814,275      | 2,204,886         | 3,767,930    |
| <b>OPERATING GAIN/(LOSS)</b>                   | (30,847)        | (64,957)     | (239,087)    | (1,218,423)       | (1,553,314)  |
| <b>NON-OPERATING REVENUES/(EXPENSES)</b>       |                 |              |              |                   |              |
| Taxes                                          |                 |              |              |                   |              |
| Property                                       | -               | 132,524      | 119,876      | 233,639           | 486,039      |
| Intergovernmental                              |                 |              |              |                   |              |
| Grants                                         | -               | 13,850       | 88,384       | -                 | 102,234      |
| State homeowner exemption                      | -               | -            | 628          | -                 | 628          |
| Revenue from use of assets                     | -               | 53           | 46,656       | -                 | 46,709       |
| Other non-operating revenue                    | -               | -            | 5,000        | -                 | 5,000        |
| Interest expense                               | -               | (1,339)      | (1,339)      | -                 | (2,678)      |
| Interfund transfer in                          | 24,467          | -            | -            | -                 | 24,467       |
| Interfund transfer out                         | -               | (24,467)     | -            | -                 | (24,467)     |
| <b>Total non-operating revenues/(expenses)</b> | 24,467          | 120,621      | 259,205      | 233,639           | 637,932      |
| <b>CHANGE IN NET POSITION</b>                  | (6,380)         | 55,664       | 20,118       | (984,784)         | (915,382)    |
| Net Position (Deficit) - Beginning             | 6,380           | 1,081,241    | 4,472,528    | (990,242)         | 4,569,907    |
| Net Position (Deficit) - Ending                | \$ -            | \$ 1,136,905 | \$ 4,492,646 | \$ (1,975,026)    | \$ 2,739,143 |

The accompanying notes are an integral part of these financial statements

**CHESTER PUBLIC UTILITY DISTRICT**

**STATEMENTS OF CASH FLOWS**  
**JUNE 30, 2024**

|                                                                                         | Lighting           | Water            | Sewer              | Fire Funds            | Total                 |
|-----------------------------------------------------------------------------------------|--------------------|------------------|--------------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>                                             |                    |                  |                    |                       |                       |
| Cash receipts from rate payers, etc.                                                    | \$ -               | \$ 641,200       | \$ 574,004         | \$ 742,204            | \$ 1,957,408          |
| Cash payments to employees for services                                                 | -                  | (258,771)        | (259,190)          | (1,560,515)           | (2,078,476)           |
| Cash payments for goods and services                                                    | (30,847)           | (329,811)        | (356,352)          | (266,447)             | (983,457)             |
| <b>Net cash provided/(used) by operating</b>                                            | <b>(30,847)</b>    | <b>52,618</b>    | <b>(41,538)</b>    | <b>(1,084,758)</b>    | <b>(1,104,525)</b>    |
| <b>Cash flows from non-capital financing activities</b>                                 |                    |                  |                    |                       |                       |
| Grant and non-operating activity                                                        | -                  | 5,101            | 84,635             | 21,162                | 110,898               |
| Tax/assessment receipts                                                                 | -                  | 161,500          | 172,037            | 464,922               | 798,459               |
| Interfund cash transfers in/(out)                                                       | 24,467             | (46,643)         | (595,387)          | 617,563               | -                     |
| <b>Net cash provided/(used)</b>                                                         | <b>24,467</b>      | <b>119,958</b>   | <b>(338,715)</b>   | <b>1,103,647</b>      | <b>909,357</b>        |
| <b>Cash flows from capital and related financing</b>                                    |                    |                  |                    |                       |                       |
| Acquisition of capital assets                                                           | -                  | -                | (93,236)           | -                     | (93,236)              |
| Debt service payments                                                                   | -                  | (10,114)         | (10,114)           | -                     | (20,228)              |
| <b>Net cash used</b>                                                                    | <b>-</b>           | <b>(10,114)</b>  | <b>(103,350)</b>   | <b>-</b>              | <b>(113,464)</b>      |
| <b>Cash flows from investing activities</b>                                             |                    |                  |                    |                       |                       |
| Interest received                                                                       | -                  | 53               | 46,656             | -                     | 46,709                |
| Maturity/(Purchase) of CDs                                                              | -                  | -                | -                  | -                     | -                     |
| <b>Net cash provided</b>                                                                | <b>-</b>           | <b>53</b>        | <b>46,656</b>      | <b>-</b>              | <b>46,709</b>         |
| <b>NET INCREASE/(DECREASE)</b>                                                          | <b>(6,380)</b>     | <b>162,515</b>   | <b>(436,947)</b>   | <b>18,889</b>         | <b>(261,923)</b>      |
| <b>CASH</b>                                                                             |                    |                  |                    |                       |                       |
| Beginning of year                                                                       | 6,380              | 1,137            | 1,391,583          | 78,685                | 1,477,785             |
| End of year                                                                             | \$ -               | \$ 163,652       | \$ 954,636         | \$ 97,574             | \$ 1,215,862          |
| <b>Reconciliation of operating loss to cash used in operating activities</b>            |                    |                  |                    |                       |                       |
| Operating Gain/(Loss)                                                                   | \$ (30,847)        | \$ (64,957)      | \$ (239,087)       | \$ (1,218,423)        | (1,553,314)           |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                    |                  |                    |                       |                       |
| Depreciation expense                                                                    | -                  | 81,726           | 150,752            | 57,118                | 289,596               |
| (Increase)/decrease in accrued receivables                                              | -                  | (9,435)          | (1,744)            | (244,259)             | (255,438)             |
| Increase/(decrease) in accounts payables                                                | -                  | 7,355            | 7,355              | 22,881                | 37,591                |
| Increase/(decrease) in deposits                                                         | -                  | (2,330)          | 560                |                       | (1,770)               |
| Increase/(decrease) in compensated absence balance, OPEB, and NPL related balances      | -                  | 40,259           | 40,626             | 297,925               | 378,810               |
| <b>Net cash used by operating activities</b>                                            | <b>\$ (30,847)</b> | <b>\$ 52,618</b> | <b>\$ (41,538)</b> | <b>\$ (1,084,758)</b> | <b>\$ (1,104,525)</b> |

The accompanying notes are an integral part of these financial statements

## CHESTER PUBLIC UTILITY DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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

##### **1 - A. Financial Reporting Entity**

The fire department and the Chester Public Utility District merged on 2009, under the provisions of the Public Utilities Code (“PUC”), Division 7, Public Utilities District Act, PUC Code §15501, et seq. The District provides street light, water, sewer, fire and ambulance services to approximately 2,400 residents of the District, located in Chester, California.

**Joint Powers Authority (“JPA”).** The District is associated with a JPA, the California Cooperative Liquid Assets Securities System (California CLASS). These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 10 to the financial statements.

##### **1 - B. Basis of Presentation – Proprietary Fund Type – Major Enterprise Funds**

To account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Street Light Fund.** The Street Light Fund is used to account for street lighting subsidization and related expenses.

**Water Fund.** The Water Fund is used to account water sales, fees, property taxes, and water production, treatment, and delivery expenses.

**Sewer Fund.** The Sewer Fund is used to account for sewer fees, and sewage treatment expenses

**Fire Funds.** The Fire Fund is used to account for the property taxes and contract fire services associated with fire protection services and costs associated with providing fire protection. Additionally, it accounts for the reimbursement of services provided to the Office of Emergency Management to staff and operate logistical support for forest fires throughout California, and the ambulance fees and costs associated with providing ambulance services.

##### **1 - C. Basis of Accounting – Measurement Focus**

**Proprietary Fund Financial Statements.** The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

##### **1 - D. Assets, Liabilities, and Net Position**

**Acquisition Value.** The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

**Prepaid Items.** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

## CHESTER PUBLIC UTILITY DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

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**Accrued Receivables.** All trade and property tax receivables are shown net of an allowance for uncollectibles. The District considers property taxes receivable collected within sixty days after year-end to be available and recognizes them as revenues of the current year.

**Capital Assets.** Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

| <u>Asset Class</u>               | <u>Estimated Useful Life</u> |
|----------------------------------|------------------------------|
| Utility Plant and Infrastructure | 10 – 60                      |
| Meters and Equipment             | 5 – 20                       |
| Vehicles and Office Equipment    | 3 – 7                        |

**Interfund Balances.** On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds" and "Due to other funds."

**Pension.** 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 California Public Employee Retirement System ("Cal PERS") and additions to/deductions from Cal PERS' fiduciary net position have been determined on the same basis as they are reported by Cal PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position.** Net Position represents the difference of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

#### **1 - E. Revenue and Expenditures/Expenses**

**Revenues – Exchange Transactions (Program Revenue).** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

#### **Property Tax Calendar:**

|             |                                                                                                                      |
|-------------|----------------------------------------------------------------------------------------------------------------------|
| July 1      | Beginning of fiscal year                                                                                             |
| August 31   | Unsecured tax deadline. A 10% penalty is added as of 5:00 p.m. (*)                                                   |
| October     | Secured tax bills are mailed for current fiscal year. Tax liens recorded for unpaid unsecured taxes.                 |
| November 1  | First installment of secured taxes is due and payable                                                                |
| December 10 | First installment of secured taxes payment deadline. A 10% penalty is added as of 5:00 p.m. (*)                      |
| January 1   | Tax Lien date (affects the upcoming fiscal year)                                                                     |
| February 1  | Second installment of secured taxes due and payable.                                                                 |
| April 10    | Second installment of secured taxes payment deadline. A 10% penalty plus a \$20.00 cost is added as of 5:00 p.m. (*) |
| May         | Treasurer-Tax Collector mails delinquent notices for any unpaid secured taxes.                                       |
| June 30     | End of fiscal year                                                                                                   |

(\*) If a delinquent date falls on a weekend or holiday, the delinquent date is the next business day.

## CHESTER PUBLIC UTILITY DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

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**Operating Revenues and Expenses.** Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses result from transactions directly associated with the fund's principal services.

#### **Compensated Absences:**

**Administrative personnel vacation,** accrual shall be computed from date of hire: a.) During the first through second year of compensated and continuous service, employees shall accrue 80 hours of vacation, (10 days). b.) During the third through fourth year of compensated and continuous service, employees shall accrue 96 hours of vacation, (12 days). c.) During the fifth through ninth year of compensated and continuous service, employees shall accrue 136 hours of vacation, (17 days). d.) During the tenth year of compensated and continuous service, and each year thereafter, employees shall accrue 176 hours of vacation, (22 days).

**Fire personnel vacation,** accrual shall be computed from date of hire: a.) During the first through fourth year of compensated and continuous service, employees shall accrue 192 hours of vacation, (8 shifts). b.) During the fifth through seventh year of compensated and continuous service, employees shall accrue 240 hours of vacation, (10 shifts). c.) During the eighth through tenth year of compensated and continuous service, employees shall accrue 288 hours of vacation, (12 shifts). d.) During the eleventh year of compensated and continuous service, and each year thereafter, employees shall accrue 336 hours of vacation, (14 shifts). e.) All employees will receive one (1) non-accruing paid personal development day a calendar year.

The balance of accrued unused vacation leave shall be limited to the number of days equal to two times the current year's rate of accrual. Any time an employees accrued unused vacation leave reaches the limit; further accrual will cease until the employee takes vacation time off and brings their accrued unused amount below the limit. The General Manager or designee shall allow the employee to "cash in" excess vacation, if the affected employee can demonstrate that they were unable to take vacation time off.

**Sick leave,** upon death or retirement, or upon layoff or resignation in good standing after ten (10) years of continuous and compensated service an employee or said employee's estate shall be paid twenty-five (25) percent of any accrued, unused sick leave, the rate shall be thirty-five (35) percent after 15 years and fifty (50) percent after 20 years of service. Valuation shall be on the basis of the hourly equivalent of said employee's monthly salary at the effective date of separation or layoff. The employee shall have the option of using their unused sick leave as a service credit for retirement purposes, but not both.

**Estimates.** The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Budgetary Data.** Per Board Policy 3020, an annual budget proposal shall be prepared by the General Manager. Prior to final approval by the Board of Directors, the General Manager will meet with the Budget/Finance Committee for review and input on budget drafts. Notice of the proposed annual budget shall be published in a local newspaper and presented to the public at a Public Hearing for comments prior to adoption by the Board of Directors. The Board of Directors shall approve an annual budget at its regular meeting in June of each year. The approved Budget goes into effect on July 1st.

# CHESTER PUBLIC UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### 2 - A. Summary of Cash and Cash Equivalents

|                                                       | <u>Business-Type Activities</u> |
|-------------------------------------------------------|---------------------------------|
| Cash on hand                                          | \$ 400                          |
| Deposits in financial institutions                    | 426,332                         |
| Local Agency Investment Fund ("LAIF")                 | 1,390                           |
| Cooperative Liquid Assets Securities System ("CLASS") | 787,740                         |
| <b>Total Cash and Cash Equivalents</b>                | <b>\$ 1,215,862</b>             |

#### 2 - B. Cash Deposits and Certificates of Deposit

*Credit Risk.* As of June 30, 2024, the District's cash pool was as follows:

| <u>Investment Type:</u> | <u>S &amp; P Rating</u> | <u>Maturity (Years)</u> | <u>Fair Value Level</u> | <u>Fair Market Value</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| LAIF                    | Not Rated               | 217                     | 2                       | \$ 1,390                 |
| CLASS                   | AAAm                    | 75                      | 2                       | 787,740                  |
| <b>Total</b>            |                         |                         |                         | <b>\$ 789,130</b>        |

*Custodial Credit Risk.* There is a risk that, in the event of a bank failure, the District's deposits may not be returned. The District's deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation ("FDIC") or are collateralized as required by Statutes of the State. As of June 30, 2024, the bank balances totaled \$504,003. Of the total bank balance, \$250,000 was insured through the FDIC.

### NOTE 3 – ACCRUED RECEIVABLES

Receivables at June 30, 2024, were as follows:

|                                  | <u>Water</u>     | <u>Sewer</u>     | <u>Fire Funds</u> | <u>Total</u>      |
|----------------------------------|------------------|------------------|-------------------|-------------------|
| Sales                            | \$ 76,983        | \$ 58,042        | \$ -              | \$ 135,025        |
| Ambulance collections, net       | -                | -                | 359,347           | 359,347           |
| GEMT                             | -                | -                | 53,071            | 53,071            |
| Contract fire work/mutual aid    | -                | -                | 267,316           | 267,316           |
| Taxes                            | 7,613            | 7,575            | -                 | 15,188            |
| Allowance for doubtful accts.    | -                | -                | (125,175)         | (125,175)         |
| <b>Total Accrued Receivables</b> | <b>\$ 84,596</b> | <b>\$ 65,617</b> | <b>\$ 554,559</b> | <b>\$ 704,772</b> |

**CHESTER PUBLIC UTILITY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2024**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2024

|                                                    | Balance<br>July 01, 2023 | Additions           | Balance<br>June 30, 2024 |
|----------------------------------------------------|--------------------------|---------------------|--------------------------|
| <b>Capital Assets Not Being Depreciated</b>        |                          |                     |                          |
| Land                                               | \$ 139,295               | \$ -                | \$ 139,295               |
| Construction in progress                           | 4,014                    | 93,236              | 97,250                   |
| <b>Total Capital Assets Not Being Depreciated</b>  | <b>\$ 143,309</b>        | <b>\$ 93,236</b>    | <b>\$ 236,545</b>        |
| <b>Capital Assets Being Depreciated</b>            |                          |                     |                          |
| Water systems                                      | \$ 3,307,556             | \$ -                | \$ 3,307,556             |
| Sewer systems                                      | 6,949,622                | -                   | 6,949,622                |
| Buildings and improvements                         | 1,136,393                | -                   | 1,136,393                |
| Equipment                                          | 2,436,404                | 8,886               | 2,445,290                |
| Total assets being depreciated                     | 13,829,975               | 8,886               | 13,838,861               |
| Less, accumulated depreciation                     | 8,115,777                | 289,596             | 8,405,373                |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>\$ 5,714,198</b>      | <b>\$ (280,710)</b> | <b>\$ 5,433,488</b>      |

**NOTE 5 – INTERFUND BALANCES AND ACTIVITY**

**5 - A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2024, consist of the following:

| Due to Other Funds                | Due From Other Funds |                     |                     |                     |
|-----------------------------------|----------------------|---------------------|---------------------|---------------------|
|                                   | Water                | Sewer               | Fire Funds          | Total               |
| <b>Sewer</b>                      | \$ 108,088           | \$ -                | \$ 872,180          | \$ 980,268          |
| <b>Fire Funds</b>                 | -                    | 1,675,096           | 2,796,309           | 4,471,405           |
| <b>Total Due From Other Funds</b> | <b>\$ 108,088</b>    | <b>\$ 1,675,096</b> | <b>\$ 3,668,489</b> | <b>\$ 5,451,673</b> |

|                                                   |                     |
|---------------------------------------------------|---------------------|
| Sewer owes Water for negative cash                | \$ 108,088          |
| Fire Funds owe Sewer for negative cash            | 1,675,096           |
| Fire Funds owe other Fire Funds for negative cash | 2,796,309           |
| Sewer owes Fire for negative cash                 | 872,180             |
| <b>Total</b>                                      | <b>\$ 5,451,673</b> |

**CHESTER PUBLIC UTILITY DISTRICT****NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2024****5 - B. Transfers to/from Other Funds**

Transfers to/from other funds at June 30, 2024, consist of a operating transfer to the Water Fund transferring \$24,467 to the Lighting Fund.

**NOTE 6 – ACCRUED PAYABLES**

Payables at June 30, 2024, were as follows:

|                 | <b>Water</b>     | <b>Sewer</b>     | <b>Fire Funds</b> | <b>Total</b>      |
|-----------------|------------------|------------------|-------------------|-------------------|
| Vendors         | \$ 7,355         | \$ 7,355         | \$ 31,259         | \$ 45,969         |
| Payroll related | 5,550            | 5,929            | 206,140           | 217,619           |
| <b>Total</b>    | <b>\$ 12,905</b> | <b>\$ 13,284</b> | <b>\$ 237,399</b> | <b>\$ 263,588</b> |

**NOTE 7 – LONG-TERM LIABILITIES****7 - A. Long-Term Liabilities Summary**

Long-term liability activity for the year ended June 30, 2024 was as follows:

|                                                                 | <b>Balance<br/>July 01, 2023</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Balance<br/>June 30, 2024</b> | <b>Due In One<br/>Year</b> |
|-----------------------------------------------------------------|----------------------------------|-------------------|------------------|----------------------------------|----------------------------|
| Compensated absence                                             | \$ 43,000                        | \$ -              | \$ 1,000         | \$ 42,000                        | \$ -                       |
| Net pension liability ("NPL")                                   | 2,150,000                        | 124,000           | -                | 2,274,000                        | -                          |
| Other postemployment benefits,<br>net of deferred out/(in)flows | 2,276,000                        | 54,000            | -                | 2,330,000                        | -                          |
| Lease payable                                                   | 67,680                           | 8,756             | 17,422           | 59,014                           | 19,284                     |
| <b>Total Long-Term Liabilities</b>                              | <b>\$ 4,536,680</b>              | <b>\$ 186,756</b> | <b>\$ 18,422</b> | <b>\$ 4,705,014</b>              | <b>\$ 19,284</b>           |

**7 - B. Compensated Absences**

The unpaid employee vacation for the year ended June 30, 2024 was \$21,000 and \$21,000 for the Water Fund and Sanitation Fund, respectively.

# CHESTER PUBLIC UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

### 7 - C. Net Pension Liabilities ("NPLs")

The District's pension activities between the District and Cal PERS for the year ended June 30, 2024, resulted in net pension obligations and other related balances as follows:

|                                | Cal PERS Risk Pool  |                     |                       |
|--------------------------------|---------------------|---------------------|-----------------------|
|                                | Safety              | Miscellaneous       | Total                 |
| Net Pension Liability          | \$ (1,376,000)      | \$ (898,000)        | \$ (2,274,000)        |
| Deferred Outflows of Resources | 716,000             | 378,000             | 1,094,000             |
| Deferred Inflows of Resources  | (37,000)            | (9,000)             | (46,000)              |
| <b>Effect on Net Position</b>  | <b>\$ (697,000)</b> | <b>\$ (529,000)</b> | <b>\$ (1,226,000)</b> |

For the year ended June 30, 2024, the District's NPLs was \$449,000, \$449,000, and \$1,376,000 for the Water Fund, Sanitation Fund, and Fire Funds, respectively. See Note 8 for additional information regarding the pension plans and activities.

### 7 - D. Other Postemployment Benefits ("OPEB")

For the year ended June 30, 2024, the District's OPEB obligation was \$476,000, \$476,000, and \$1,378,000 for the Water Fund, Sanitation Fund, and Fire Funds, respectively. See Note 9 for additional information regarding the pension plans and activities.

### 7 - E. Leases Payable

The District entered into a lease to purchase a Bobcat and trailer with a historical cost and accumulated depreciation of \$87,580 and \$10,222, respectively, under a lease arrangements. The lease was financed at 2.35% per year annum, with payments quarterly in the amount of \$4,902. Future payments at June 30, 2024, are as follows:

| Year Ending June 30, | Principal        | Interest        | Total            |
|----------------------|------------------|-----------------|------------------|
| 2025                 | \$ 17,739        | \$ 1,870        | \$ 19,609        |
| 2026                 | 18,504           | 1,105           | 19,609           |
| 2027                 | 14,440           | 307             | 14,747           |
| <b>Total</b>         | <b>\$ 50,683</b> | <b>\$ 3,282</b> | <b>\$ 53,965</b> |

The District entered into a lease to purchase a copier with a historical cost and accumulated depreciation of \$8,886 and \$720, respectively, under a lease arrangements. The lease was financed at 3.6% per year annum, with payments monthly in the amount of \$155. Future payments at June 30, 2024, are as follows:

| Year Ending June 30, | Principal       | Interest      | Total           |
|----------------------|-----------------|---------------|-----------------|
| 2025                 | \$ 1,545        | \$ 275        | \$ 1,820        |
| 2026                 | 1,643           | 217           | 1,860           |
| 2027                 | 1,703           | 157           | 1,860           |
| 2028                 | 1,765           | 95            | 1,860           |
| 2029                 | 1,675           | 30            | 1,705           |
| <b>Total</b>         | <b>\$ 8,331</b> | <b>\$ 774</b> | <b>\$ 9,105</b> |

# CHESTER PUBLIC UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

### NOTE 8 – DEFINED BENEFIT PENSION

**Plan Description.** The Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (“the Plan” or “PERF C”) is administered by the California Public Employees’ Retirement System (“CalPERS”). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. Each individual employer rate plan generally has less than 100 active members. This report and CalPERS’ audited financial statements are publicly available reports that can be found on CalPERS’ website at:

<https://www.calpers.ca.gov/docs/forms-publications>

**Benefit Provided and Contributions.** Per the Chester Public Utility District’s *Annual Valuation Report as of June 30, 2021* (provided in that report is the determination of the minimum required employer contributions for fiscal year 2023-24), the following are the benefits and employee and employer contribution requirements:

| Member Category                 | Benefit Group    |                |                 |               |
|---------------------------------|------------------|----------------|-----------------|---------------|
|                                 | Safety - Classic | Safety – PEPRA | Misc. – Classic | Misc. – PEPRA |
| Benefit Formula                 | 3% @ 50          | 2.7% @ 57      | 2.5% @ 55       | 2.0% @ 62     |
| Social Security (Full/Modified) | Yes Modified     | Yes Full       | Yes Full        | Yes Full      |
| Employee Contribution Rate      | 9.00%            | 13.00%         | 8.00%           | 6.75%         |
| Final Avg. Comp Period          | 1 Yr.            | 3 Yr.          | 1 Yr.           | 3 Yr.         |
| Sick Leave Credit               | Yes              | Yes            | Yes             | Yes           |
| Non-Industrial Disability       | Standard         | Standard       | Standard        | Standard      |
| Industrial Disability           | Yes              | Yes            | No              | No            |
| Pre-Retirement Death Benefits:  |                  |                |                 |               |
| Optional Settlement 2           | Yes              | Yes            | Yes             | Yes           |
| 1959 Survivor Benefit Level     | No               | No             | No              | No            |
| Special                         | Yes              | Yes            | No              | No            |
| Alternate (firefighters)        | No               | No             | No              | No            |
| Post-Retirement Death Benefits  |                  |                |                 |               |
| Lump Sum                        | \$500            | \$500          | \$500           | \$500         |
| Survivor Allowance (PRSA)       | No               | No             | No              | No            |
| COLA                            | 2%               | 2%             | 2%              | 2%            |
| Employer Contribution Rate      | 27.11%           | 13.54%         | 14.06%          | 7.68%         |
| Employer Unfunded Liability     | \$128,260        | \$ -           | \$64,633        | \$ -          |
| Total Employer Contributions    | \$144,938        | \$48,992       | \$76,770        | \$17,534      |

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2024, the District reported a liabilities of \$1,376,000 and \$898,000 for safety and miscellaneous, respectively, for its proportionate shares of the net pension liabilities. The schedule of employer allocations for components of net pension liability provides allocation factors by employer for rate plans within the miscellaneous and safety risk pools based on the following allocation methodology: The schedule of employer allocations for components of net pension liability includes two ratios:

- 1) Actuarial Accrued Liability – Determined based on the actuarial accrued liability from the most recent actuarial valuation report as of June 30, 2022 used for funding purposes.
- 2) Market Value of Assets – Determined based on the sum of the market value of assets from the most recent actuarial valuation report as of June 30, 2022 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

## CHESTER PUBLIC UTILITY DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

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The schedule of employer allocations for components of net pension liability is based on actuarial valuation reports that are one year in arrears. As such, there will be a one-year lag between the time an employer enters the Plan and the fiscal year the employer is first included on the schedule of employer allocations for components of net pension liability. Employers joining the Plan during the fiscal year ended June 30, 2023, will be included in the schedule of employer allocations for components of net pension liability as of and for the fiscal year ended June 30, 2024.

The employers' proportionate share percentages of the miscellaneous and safety risk pools were first determined at the rate plan level. The employers' total proportion of the respective miscellaneous and safety risk pools reflects the sum of the proportions of the respective miscellaneous and safety rate plans.

When applying the allocation methodology to the collective miscellaneous or safety risk pool pension amounts, employers should determine proportionate shares using the employer allocation factors as follows:

- 1) Total Pension Liability (TPL) – Allocate based on the employer's share of the actuarial accrued liability.
- 2) Fiduciary Net Position (FNP) – Allocate based on the employer's share of the market value of assets plus additional payments.
- 3) Net Pension Liability (NPL) – After completing the above calculations, subtract FNP from TPL to calculate the employer's NPL.
- 4) Deferred Outflows of Resources, Deferred Inflows of Resources – Allocate based on the employer's share of the net pension liability as noted in 3) above.
- 5) Pension Expense – After completing the above calculations, calculate the employer's share of collective pension expense based on the employer's share of changes in net pension liability, changes in deferred outflows and deferred inflows of resources, and the employer's contributions for the fiscal year ended June 30, 2023. The schedule of collective pension amounts does not reflect employer-specific amounts such as changes in proportion and employer contributions to PERF C subsequent to the measurement date. Appropriate treatment of such amounts is the responsibility of the employers.

An employer's proportionate share of pension amounts for PERF C equals the sum of the employer's proportionate shares of pension amounts for the respective miscellaneous and safety risk pools. At June 30, 2024, the District's proportion was:

|                                          | <u>Jun. 30, 2023</u> | <u>Jun. 30, 2022</u> | <u>Difference</u> |
|------------------------------------------|----------------------|----------------------|-------------------|
| <b>Safety Plan:</b>                      |                      |                      |                   |
| Total Pension Liability Allocation Basis | 0.0001524            | 0.0001612            | -0.0000088        |
| Fiduciary Net Position Allocation Basis  | 0.0001418            | 0.0001566            | -0.0000148        |
| <b>Miscellaneous Plan:</b>               |                      |                      |                   |
| Total Pension Liability Allocation Basis | 0.0000988            | 0.0000991            | -0.0000003        |
| Fiduciary Net Position Allocation Basis  | 0.0000760            | 0.0000758            | 0.0000002         |

# CHESTER PUBLIC UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

For the year ended June 30, 2024, the District recognized pension expense of \$470,000. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                     | Deferred Outflows /<br>(Inflows) of Resources |                   |                     |
|-------------------------------------------------------------------------------------|-----------------------------------------------|-------------------|---------------------|
|                                                                                     | Safety                                        | Misc.             | Total               |
| Changes of assumptions                                                              | \$ 80,000                                     | \$ 54,000         | \$ 134,000          |
| Differences between expected and actual experience                                  | 92,000                                        | 39,000            | 131,000             |
| Net difference between projected and actual earnings on pension plan                | 189,000                                       | 146,000           | 335,000             |
| Differences between District contributions and proportionate share of contributions | 9,000                                         | 27,000            | 36,000              |
| Changes in proportion                                                               | 115,000                                       | 9,000             | 124,000             |
| District contributions subsequent to the measurement date                           | 194,000                                       | 94,000            | 288,000             |
| <b>Total</b>                                                                        | <b>\$ 679,000</b>                             | <b>\$ 369,000</b> | <b>\$ 1,048,000</b> |

The District reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | Safety            | Misc.             | Total               |
|---------------------|-------------------|-------------------|---------------------|
| 2025                | \$ 386,000        | \$ 183,000        | \$ 569,000          |
| 2026                | 130,000           | 66,000            | 196,000             |
| 2027                | 158,000           | 116,000           | 274,000             |
| 2028                | 5,000             | 4,000             | 9,000               |
| <b>Total</b>        | <b>\$ 679,000</b> | <b>\$ 369,000</b> | <b>\$ 1,048,000</b> |

**Actuarial Methods and 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:

|                                   |                                                                                                       |
|-----------------------------------|-------------------------------------------------------------------------------------------------------|
| Investment rate of return         | 6.90%                                                                                                 |
| Inflation                         | 2.30%                                                                                                 |
| Salary increases                  | Varies by Entry Age and Service                                                                       |
| Mortality rate table <sup>1</sup> | Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.30% until Purchasing Power |
| Post-Retirement Benefit Increase  | Protection Allowance Floor on Purchasing Power applies                                                |

<sup>1</sup> 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.

**Long-Term Expected Rate of Return.** 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.

# CHESTER PUBLIC UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

The expected real rates of return by asset class are as followed:

| Asset Class <sup>1</sup>       | Assumed Asst Allocation | Real Return Year 1 -10 <sup>1,2</sup> |
|--------------------------------|-------------------------|---------------------------------------|
| Global equity - cap-weighted   | 30.00%                  | 4.54%                                 |
| Global equity non-cap-weighted | 12.00                   | 3.84                                  |
| Private Equity                 | 13.00                   | 7.28                                  |
| Treasury                       | 5.00                    | 0.27                                  |
| Mortgage-backed Securities     | 5.00                    | 0.50                                  |
| Investment Grade Corporates    | 10.00                   | 1.56                                  |
| High Yield                     | 5.00                    | 2.27                                  |
| Emerging Market Debt           | 5.00                    | 2.48                                  |
| Private Debt                   | 5.00                    | 3.57                                  |
| Real Assets                    | 15.00                   | 3.21                                  |
| Leverage                       | (5.00)                  | (0.59)                                |

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021-22 Asset Liability Management study.

**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.

### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the collective net pension liability calculated using a discount rate of 6.90%, as well as what the collective 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:

|                   | Current Discount    |                     |                     |
|-------------------|---------------------|---------------------|---------------------|
|                   | 1% Decrease         | Rate                | 1% Increase         |
| Safety NPL        | \$ 1,997,000        | \$ 1,376,000        | \$ 867,000          |
| Miscellaneous NPL | 1,201,000           | 898,000             | 648,000             |
| <b>Total</b>      | <b>\$ 3,198,000</b> | <b>\$ 2,274,000</b> | <b>\$ 1,515,000</b> |

**Pension Plan Fiduciary Net Position.** The components of the employers' collective net pension liability related to the Plan as of June 30, 2023 are as follows (\$ amounts in thousands):

|                                    | Miscellaneous<br>Risk Pool | Safety Risk Pool | Total         |
|------------------------------------|----------------------------|------------------|---------------|
| Total pension liability            | \$ 22,693,312              | \$ 29,748,672    | \$ 52,441,984 |
| Less:                              |                            |                  |               |
| Plan fiduciary net position        | 17,692,895                 | 22,273,739       | 39,966,634    |
| Net Pension Liability of Employers | \$ 5,000,417               | \$ 7,474,933     | \$ 12,475,350 |

CHESTER PUBLIC UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, Continued  
JUNE 30, 2024

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**NOTE 9 – POSTEMPLOYMENT HEALTHCARE PLAN**

**Plan Description.** Pursuant to the Public Employees' Medical And Hospital Care Act ("PEMHCA"), as set forth in Government Code §22750 – §22948. The plan is a single-employer, defined benefit OPEB plan administered by the District. Government Code §22777 provides that "health benefit plan" means any program or entity that provides, arranges, pays for, or reimburses the cost of health benefits for employees and retirees and their surviving family members with health benefits provided through the California Public Employee's Pension System ("CalPERS"). **No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.**

**Benefits Provided:**

|                        |                                                                                |
|------------------------|--------------------------------------------------------------------------------|
| Benefit types provided | Medical only                                                                   |
| Duration of Benefits   | Life of retiree                                                                |
| Required Service       | 10 years creditable service                                                    |
| Minimum Age            | 50 for Safety Classic, 55 for Miscellaneous, 57 for PEPRA Safety               |
| District Contribution  | With ten years of service 50% of total up to 100% with twenty years of service |

**Employees Covered by Benefit Terms.** At June 30, 2024, the membership consisted of the following:

|                                                                          |           |
|--------------------------------------------------------------------------|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 5         |
| Active employees                                                         | 6         |
| <b>Total</b>                                                             | <b>11</b> |

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**Total OPEB Liability.** The District's total OPEB liability (net of deferred outflows of resources \$1,113,000 and deferred inflows of resources\$1,425,000) of \$2,330,000 was measured as of June 30, 2024.

**Measurement Assumptions and Other Inputs.** The total OPEB liability in the June 30, 2024 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                                                   |                                                                                                                   |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Discount Rate:                                    | 3.97%                                                                                                             |
| General Inflation                                 | 2.30% annually                                                                                                    |
| Mortality, Retirement,<br>Disability, Termination | CalPERS                                                                                                           |
| Medical Trend                                     | 5.50 percent for 2024 through 2034; 4.50 percent for 2035 through 2074; and 4.00 percent for 2075 and later years |
| Healthcare Participation<br>at Retirement         | 100%                                                                                                              |

## CHESTER PUBLIC UTILITY DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2024

#### Changes in the Total OPEB Liability:

|                                        |              |
|----------------------------------------|--------------|
| Balance at July 01, 2023               | \$ 2,276,000 |
| Changes for the year:                  |              |
| Service cost                           | 91,000       |
| Interest                               | 88,000       |
| Changes in assumptions or other inputs | (28,000)     |
| Benefit payments                       | (97,000)     |
| Net changes                            | 54,000       |
| Balances at June 30, 2024              | \$ 2,330,000 |

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.** The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate and a health trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rates:

| 1% Decrease  | Current Discount Rate | 1% Increase  |
|--------------|-----------------------|--------------|
| \$ 2,903,000 | \$ 2,330,000          | \$ 1,778,000 |

| 1% Decrease  | Current Health Trend Rate | 1% Increase  |
|--------------|---------------------------|--------------|
| \$ 1,643,000 | \$ 2,330,000              | \$ 3,104,000 |

**OPEB Expense.** For the year ended June 30, 2024, the District recognized an OPEB expense of \$462,000.

#### ***NOTE 10 - PARTICIPATION IN A JOINT POWERS AUTHORITY***

The California CLASS is a joint exercise of powers entity authorized under California Government Code §6509.7. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity.

This entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

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*REQUIRED SUPPLEMENTARY INFORMATION*

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# CHESTER PUBLIC UTILITY DISTRICT

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

|                                                                                                            | 2024        | 2023        | 2022       | 2021        | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       |
|------------------------------------------------------------------------------------------------------------|-------------|-------------|------------|-------------|------------|------------|------------|------------|------------|------------|
| <b>Safety Plan:</b>                                                                                        |             |             |            |             |            |            |            |            |            |            |
| District's proportion of the net pension liability                                                         | 0.02%       | 0.02%       | 0.02%      | 0.02%       | 0.01%      | 0.01%      | 0.01%      | 0.02%      | 0.02%      | 0.02%      |
| District's proportionate share of the net pension liability                                                | \$1,376,000 | \$1,296,000 | \$ 555,000 | \$1,002,000 | \$ 922,000 | \$ 868,000 | \$ 868,000 | \$ 783,000 | \$ 683,000 | \$ 624,000 |
| District's covered payroll                                                                                 | \$ 514,000  | \$ 573,000  | \$ 763,000 | \$ 693,000  | \$ 566,000 | \$ 510,000 | \$ 482,000 | \$ 482,000 | \$ 310,000 | \$ 310,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll         | 268%        | 226%        | 73%        | 145%        | 163%       | 170%       | 180%       | 162%       | 220%       | 201%       |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 75%         | 76%         | 87%        | 73%         | 73%        | 73%        | 72%        | 73%        | 77%        | 79%        |
| <b>Miscellaneous Plan:</b>                                                                                 |             |             |            |             |            |            |            |            |            |            |
| District's proportion of the net per                                                                       | 0.02%       | 0.02%       | 0.03%      | 0.02%       | 0.02%      | 0.02%      | 0.02%      | 0.02%      | 0.02%      | 0.02%      |
| District's proportionate share of the net pension liability                                                | \$ 898,000  | \$ 854,000  | \$ 477,000 | \$ 763,000  | \$ 716,000 | \$ 696,000 | \$ 729,000 | \$ 667,000 | \$ 573,000 | \$ 482,000 |
| District's covered payroll                                                                                 | \$ 236,000  | \$ 296,000  | \$ 270,000 | \$ 345,000  | \$ 340,000 | \$ 427,000 | \$ 328,000 | \$ 279,000 | \$ 214,000 | \$ 214,000 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 381%        | 289%        | 177%       | 221%        | 211%       | 163%       | 222%       | 239%       | 268%       | 225%       |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 78%         | 78%         | 90%        | 78%         | 78%        | 78%        | 75%        | 76%        | 80%        | 81%        |

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

# CHESTER PUBLIC UTILITY DISTRICT

## SCHEDULE OF CONTRIBUTIONS

|                                                                      | 2024       | 2023       | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016        | 2015        |
|----------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
| <b>Saftey Plan:</b>                                                  |            |            |            |            |            |            |            |            |             |             |
| Contractually required contribution                                  | \$ 194,000 | \$ 172,143 | \$ 172,198 | \$ 162,113 | \$ 177,109 | \$ 161,797 | \$ 191,290 | \$ 138,233 | \$ 101,729  | \$ 59,979   |
| Contributions in relation to the contractually required contribution | (194,000)  | (172,143)  | (172,198)  | (162,113)  | (177,109)  | (161,797)  | (191,290)  | (123,164)  | (123,589)   | (112,382)   |
| Contribution deficiency (excess)                                     | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ 15,069  | \$ (21,860) | \$ (52,403) |
| District's covered payroll                                           | \$ 423,347 | \$ 513,710 | \$ 572,749 | \$ 763,007 | \$ 693,111 | \$ 566,363 | \$ 510,074 | \$ 482,220 | \$ 482,310  | \$ 309,640  |
| Contributions as a percentage of covered payroll                     | 46%        | 34%        | 30%        | 21%        | 26%        | 29%        | 38%        | 29%        | 21%         | 19%         |
| <b>Miscellaneous Plan:</b>                                           |            |            |            |            |            |            |            |            |             |             |
| Contractually required contribution                                  | \$ 94,000  | \$ 89,612  | \$ 78,078  | \$ 70,660  | \$ 72,481  | \$ 102,410 | \$ 123,519 | \$ 90,195  | \$ 67,847   | \$ 58,978   |
| Contributions in relation to the contractually required contribution | (94,000)   | (89,612)   | (78,078)   | (70,660)   | (72,481)   | (102,410)  | (123,519)  | (91,281)   | (66,404)    | (87,918)    |
| Contribution deficiency (excess)                                     | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ (1,086) | \$ 1,443    | \$ (28,940) |
| District's covered payroll                                           | \$ 314,632 | \$ 236,267 | \$ 296,304 | \$ 269,833 | \$ 344,565 | \$ 339,849 | \$ 427,255 | \$ 328,473 | \$ 279,023  | \$ 214,425  |
| Contributions as a percentage of covered payroll                     | 30%        | 38%        | 26%        | 26%        | 21%        | 30%        | 29%        | 27%        | 24%         | 28%         |

CHESTER PUBLIC UTILITY DISTRICT

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

|                                                                    | 2024          | 2023          | 2022           | 2021             | 2020             | 2019           | 2018           |
|--------------------------------------------------------------------|---------------|---------------|----------------|------------------|------------------|----------------|----------------|
| <b>Changes for the year:</b>                                       |               |               |                |                  |                  |                |                |
| Service cost                                                       | \$ 91,000     | \$ 198,000    | \$ 287,000     | \$ 218,000       | \$ 302,000       | \$ 106,000     | \$ 188,000     |
| Interest                                                           | 88,000        | 142,000       | 74,000         | 33,000           | 76,000           | 23,000         | -              |
| Differences between expected and actual exp                        | (28,000)      | 213,000       | 24,000         | (1,530,000)      | 1,723,000        | -              | -              |
| Benefit payments                                                   | (97,000)      | (91,000)      | (69,000)       | (77,000)         | (74,000)         | (30,000)       | (30,000)       |
| <b>Net Changes in Total OPEB Liability</b>                         | 54,000        | 462,000       | 316,000        | (1,356,000)      | 2,027,000        | 99,000         | 158,000        |
| <b>Total OPEB Liability - Beginning</b>                            | 2,276,000     | 1,814,000     | 1,498,000      | 2,854,000        | 827,000          | 728,000        | 570,000        |
| <b>Total OPEB Liability - Ending</b>                               | \$ 2,330,000  | \$ 2,276,000  | \$ 1,814,000   | \$ 1,498,000     | \$ 2,854,000     | \$ 827,000     | \$ 728,000     |
| <br><b>Covered Payroll</b>                                         | <br>\$738,000 | <br>\$750,000 | <br>\$ 869,000 | <br>\$ 1,033,000 | <br>\$ 1,273,000 | <br>\$ 906,000 | <br>\$ 937,000 |
| <br><b>Total OPEB liability as a percentage of covered payroll</b> | <br>316%      | <br>303%      | <br>209%       | <br>145%         | <br>224%         | <br>91%        | <br>78%        |

**District Has No Assets Accumulated in a Trust to Pay Related Benefits**

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***OTHER INDEPENDENT AUDITOR'S REPORT***

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**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***

The Board of Trustees  
Chester Public Utility District  
Chester

We have audited, 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, the financial statements of each proprietary fund of the Chester Public Utility District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Chester Public Utility District's basic financial statements, and have issued our report thereon dated June 4, 2025.

***REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered Chester Public Utility 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 Chester Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Chester Public Utility 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***REPORT ON COMPLIANCE AND OTHER MATTERS***

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 that reads 'RT Dennis Accountancy'.

June 4, 2025

RTDENNIS  
ACCOUNTANCY