

**CHESTER PUBLIC UTILITIES DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2018**



**CHESTER PUBLIC UTILITIES DISTRICT**

**CHESTER, CALIFORNIA**

**JUNE 30, 2018**

---

<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Wes Scott	President	December 2019
Ben Thompson	Vice President	December 2019
Steve Trotter	Director	December 2021

---

**ADMINISTRATION**

Frank Motzkus	General Manager
Cheryl Johnson	Office Manager
Brian Layne	ESD / Fire Chief

<PAGE INTENTIONALLY LEFT BLANK>

**CHESTER PUBLIC UTILITIES DISTRICT**

**TABLE OF CONTENTS**  
**JUNE 30, 2018**

---

**FINANCIAL SECTION**

Independent Auditor's Report..... - 1 -  
Basic Financial Statements  
    Enterprise Funds Statements of Net Position..... - 6 -  
    Enterprise Funds Statements of Revenues, Expenditures, and Changes in Net Position ..... - 8 -  
    Enterprise Funds Statements of Cash Flows..... - 10 -  
Notes to the Financial Statements ..... - 12 -

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability ..... - 29 -  
Schedule of Contributions..... - 30 -

**OTHER AUDITOR'S REPORT**

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*..... - 33 -

<PAGE INTENTIONALLY LEFT BLANK>

---

---

*FINANCIAL SECTION*

---

---

<PAGE INTENTIONALLY LEFT BLANK>





## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Chester Public Utilities District  
Chester, California

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the each major fund of the Chester Public Utilities District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Chester Public Utilities District's basic financial statements as listed in the table of contents.

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

Chester Public Utilities District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Chester Public Utilities District, as of June 30, 2018, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## ***Other Matters***

### **Required Supplementary Information**

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

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 opinion on the basic financial statements is not affected by this missing information.

### **Other Information**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2019 on our consideration of Chester Public Utilities District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Chester Public Utilities District's internal control over financial reporting and compliance.

*Dennis Cooper & Associates C.P.A.s*

July 25, 2019

<PAGE INTENTIONALLY LEFT BLANK>

## **BASIC FINANCIAL STATEMENTS**

CHESTER PUBLIC UTILITIES DISTRICT

ENTERPRISE FUNDS STATEMENTS OF NET POSITION  
 JUNE 30, 2018

	Lighting	Water	Sewer
<b>ASSETS</b>			
<b>Current assets</b>			
Deposits and investments	\$ -	\$ 39,864	\$ 1,973,426
Accrued receivables	-	66,106	50,028
Due from other funds	-	-	-
Prepaid expenses	-	5,616	5,616
<b>Total current assets</b>	-	111,586	2,029,070
<b>Non-current assets</b>			
Capital assets, non-depreciable	-	39,041	93,254
Capital assets, depreciable	-	1,966,155	4,404,327
<b>Total non-current assets</b>	-	2,005,196	4,497,581
<b>Total Assets</b>	-	2,116,782	6,526,651
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	134,000	134,000
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ -	\$ 2,250,782	\$ 6,660,651
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued payables	\$ -	\$ 27,834	\$ 5,448
Due to other funds	385	419,224	235,086
<b>Total current liabilities</b>	385	447,058	240,534
<b>Non-current liabilities</b>			
Customer deposits	-	6,311	8,350
Long-term liabilities	-	557,723	557,723
<b>Total non-current liabilities</b>	-	564,034	566,073
<b>Total Liabilities</b>	385	1,011,092	806,607
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	5,000	5,000
<b>NET POSITION</b>			
Net investment in capital assets	-	2,005,196	4,497,581
Unrestricted	(385)	(770,506)	1,351,463
<b>Total Net Position</b>	(385)	1,234,690	5,849,044
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	\$ -	\$ 2,250,782	\$ 6,660,651

The accompanying notes are an integral part of these financial statements

	Contract Fire		
Fire	Revenue		Total
\$ 100	\$ 246,496	\$	2,259,886
292,753	172,743		581,630
-	2,785,666		2,785,666
-	-		11,232
292,853	3,204,905		5,638,414
7,000	-		139,295
503,304	-		6,873,786
510,304	-		7,013,081
803,157	3,204,905		12,651,495
399,000	-		667,000
\$ 1,202,157	\$ 3,204,905	\$	13,318,495
\$ 17,433	\$ 129,557	\$	180,272
2,130,971	-		2,785,666
2,148,404	129,557		2,965,938
-	-		14,661
1,290,217	-		2,405,663
1,290,217	-		2,420,324
3,438,621	129,557		5,386,262
-	-		10,000
510,304	-		7,013,081
(2,746,768)	3,075,348		909,152
(2,236,464)	3,075,348		7,922,233
\$ 1,202,157	\$ 3,204,905	\$	13,318,495

**CHESTER PUBLIC UTILITIES DISTRICT**

**ENTERPRISE FUNDS STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Lighting</u>	<u>Water</u>	<u>Sewer</u>
<b>OPERATING REVENUE</b>			
Sales	\$ -	\$ 481,690	\$ 553,158
Miscellaneous	-	(7,188)	(5,350)
<b>Total operating revenue</b>	-	474,502	547,808
<b>OPERATING EXPENSE</b>			
Salaries	-	174,523	176,975
Benefits	-	208,364	202,193
Supplies	-	19,161	21,821
Services and other operating	34,888	201,614	196,696
Depreciation	-	104,925	198,355
<b>Total operating expenses</b>	34,888	708,587	796,040
<b>OPERATING GAIN/(LOSS)</b>	(34,888)	(234,085)	(248,232)
<b>NON-OPERATING REVENUES/(EXPENSES)</b>			
Taxes			
Property	27,017	34,957	91,191
Intergovernmental			
State homeowner exemption and other state	-	-	-
Revenue from use of assets	-	559	1,959
Other non-operating revenue	7,871	-	2,100
Interest expense	-	(14)	(14)
Other non-operating expenses	-	-	-
Capital asset transfer in	-	-	-
Capital asset transfer out	-	-	-
<b>Total non-operating revenues/(expenses)</b>	34,888	35,502	95,236
<b>CHANGE IN NET POSITION</b>	-	(198,583)	(152,996)
Net Position - Beginning (Restated)	(385)	1,433,273	6,002,040
Net Position - Ending	\$ (385)	\$ 1,234,690	\$ 5,849,044

The accompanying notes are an integral part of these financial statements



---

<b>Contract Fire</b>		
<b>Fire</b>	<b>Revenue</b>	<b>Total</b>
\$ 213,233	\$ 65,102	\$ 1,313,183
299,845	5,549,616	5,836,923
513,078	5,614,718	7,150,106
890,415	4,092,756	5,334,669
609,755	385,660	1,405,972
24,838	4,279	70,099
194,766	151,702	779,666
89,421	-	392,701
1,809,195	4,634,397	7,983,107
(1,296,117)	980,321	(833,001)
302,379	-	455,544
101,535	-	101,535
-	-	2,518
-	-	9,971
(14)	-	(42)
(9,970)	-	(9,970)
53,338	-	53,338
-	(53,338)	(53,338)
447,268	(53,338)	559,556
(848,849)	926,983	(273,445)
(1,387,615)	2,148,365	8,195,678
\$ (2,236,464)	\$ 3,075,348	\$ 7,922,233

**CHESTER PUBLIC UTILITIES DISTRICT**

**ENTERPRISE FUNDS STATEMENTS OF CASH FLOWS  
JUNE 30, 2018**

	<u>Lighting</u>	<u>Water</u>	<u>Sewer</u>
<b>Cash flows from operating activities</b>			
Cash receipts from rate payers and operations	\$ -	\$ 452,926	\$ 548,121
Cash payments to employees for services	-	(337,135)	(332,661)
Cash payments to suppliers for goods and services	(34,888)	(206,345)	(663,546)
<b>Net cash provided/(used) by operating activities</b>	<b>(34,888)</b>	<b>(90,554)</b>	<b>(448,086)</b>
<b>Cash flows from non-capital financing activities</b>			
Non-operating activity	7,871	-	(6,304)
Tax/assessment receipts	27,017	34,957	91,191
Interfund transfers in/(out)	385	419,224	235,086
<b>Net cash provided/(used) by non-capital financing activities</b>	<b>35,273</b>	<b>454,181</b>	<b>319,973</b>
<b>Cash flows from capital and related financing</b>			
Interest paid	-	(14)	(14)
<b>Cash flows from investing activities</b>			
Interest received	-	561	1,959
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>385</b>	<b>364,174</b>	<b>(126,168)</b>
<b>CASH</b>			
Beginning of year	(385)	(324,310)	2,099,594
End of year	\$ -	\$ 39,864	\$ 1,973,426
<b>Reconciliation of operating loss to cash used in operating activities</b>			
Operating Gain/(Loss)	\$ (34,888)	\$ (234,085)	\$ (248,232)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	104,925	198,355
OPEB expense	-	40,500	40,500
(Increase)/decrease in accrued receivables	-	(20,473)	1,121
(Increase)/decrease in all other current assets	-	837	811
Increase/(decrease) in accrued payables	-	13,189	(446,388)
Increase/(decrease) in deposits	-	(1,103)	(808)
Increase/(decrease) in compensated absences	-	(15,258)	(15,258)
Increase/(decrease) in pension related balances	-	20,914	21,813
<b>Net cash used by operating activities</b>	<b>\$ (34,888)</b>	<b>\$ (90,554)</b>	<b>\$ (448,086)</b>

The accompanying notes are an integral part of these financial statements

<b>Contract Fire</b>		
<b>Fire</b>	<b>Revenue</b>	<b>Total</b>
\$ 622,440	\$ 5,565,090	\$ 7,188,577
(1,335,164)	(4,371,440)	(6,376,400)
(229,769)	(155,980)	(1,290,528)
(942,493)	1,037,670	(478,351)
30,996	-	32,563
302,379	-	455,544
2,130,971	(2,785,666)	-
2,464,346	(2,785,666)	488,107
(14)	-	(42)
-	-	2,520
1,521,839	(1,747,996)	12,234
(1,521,739)	1,994,492	2,247,652
\$ 100	\$ 246,496	\$ 2,259,886
\$ (1,296,117)	\$ 980,321	\$ (833,001)
89,421	-	392,701
77,000	-	158,000
109,362	(49,628)	40,382
-	-	1,648
(6,949)	106,977	(333,171)
-	-	(1,911)
27,336	-	(3,180)
57,454	-	100,181
\$ (942,493)	\$ 1,037,670	\$ (478,351)

## CHESTER PUBLIC UTILITIES DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

---

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

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

The fire department and the Chester Public Utilities 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.

##### **1 - B. Other Related Entities, Joint Powers Authority (“JPA”)**

The District is associated with one JPAs. This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 10 to the financial statements. The organization is the California Association of Mutual Water Companies Joint Powers Risk and Insurance Management Authority (“JPRIMA”), a California public entities risk pool operating under §990.4 and §990.8 of the Government Code and other provisions of law.

##### **1 - C. 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 fees and property taxes 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 Fund.** The Fire Fund is used to account for the ambulance fees and property taxes associated with fire protection services; and costs associated with providing fire protection and ambulance services.

**Contract Fire Revenue Fund.** The Contract Fire Revenue Fund accounts for the reimbursement of services provided to the Office of Emergency Management to staff and operate logistical support for forest fires throughout California.

##### **1 - D. 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.

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

---

**1 - E. 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.

**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.

# CHESTER PUBLIC UTILITIES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2018

---

### 1 - F. 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.

#### 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.

## CHESTER PUBLIC UTILITIES DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS, Continued JUNE 30, 2018

---

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.

#### **1 - G. New Accounting Pronouncements**

The Governmental Accounting Standards Board ("GASB") has issued the following standards:

- ❖ Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- ❖ GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019.

For specific details about the standards, please see [www.gasb.org](http://www.gasb.org).

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

---

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**2 - A. Summary of Deposit and Investment Balances**

	<b>Business-Type Activities</b>
Cash on hand	\$ 400
Deposits in financial institutions	2,259,486
<b>Total Cash and Cash Equivalents</b>	<b>\$ 2,259,886</b>

**2 - B. Cash Deposits**

*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, 2018, the carrying amount of the District’s bank deposits was \$2,259,486, and the respective bank balances totaled \$2,249,095. Of the total bank balance, \$250,000 was insured through the FDIC. The remaining \$1,999,095 was collateralized with pooled securities held by the financial institutions’ trust departments. These securities are held in the name of the financial institution and not that of the District.

**NOTE 3 – ACCRUED RECEIVABLES**

Receivables at June 30, 2018, were as follows:

	<b>Water</b>	<b>Sewer</b>	<b>Fire</b>	<b>Contract Fire Revenue</b>	<b>Total</b>
Sales	\$ 66,106	\$ 50,028	\$ -	\$ -	\$ 116,134
Ambulance collections, net	-	-	188,233	-	188,233
GEMT	-	-	72,116	-	72,116
Contract fire work/mutual aid	-	-	26,068	172,743	198,811
Parcel tax	-	-	1,133	-	1,133
Other	-	-	5,203	-	5,203
<b>Total Accrued Receivables</b>	<b>\$ 66,106</b>	<b>\$ 50,028</b>	<b>\$ 292,753</b>	<b>\$ 172,743</b>	<b>\$ 581,630</b>



**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018

	<b>Balance</b>				<b>Balance</b>
	<b>Jul. 01, 2017</b>	<b>Restatement</b>	<b>Additions</b>	<b>Deletions</b>	<b>Jun. 30, 2018</b>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 139,295	\$ -	\$ -	\$ -	\$ 139,295
Construction in progress	-	447,272	-	447,272	-
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 139,295</b>	<b>\$ 447,272</b>	<b>\$ -</b>	<b>\$ 447,272</b>	<b>\$ 139,295</b>
<b>Capital Assets Being Depreciated</b>					
Water systems	\$ 3,042,149	\$ -	\$ -	\$ 31,604	\$ 3,010,545
Sewer systems	6,499,500	-	472,827	92,301	6,880,026
Buildings and improvements	1,157,859	-	-	8,723	1,149,136
Equipment	2,216,696	-	59,243	17,924	2,258,015
Total assets being depreciated	12,916,204	-	532,070	150,552	13,297,722
Less, accumulated depreciation	6,183,111	-	391,375	150,550	6,423,936
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 6,733,093</b>	<b>\$ -</b>	<b>\$ 140,695</b>	<b>\$ 2</b>	<b>\$ 6,873,786</b>

**NOTE 5 – INTERFUND BALANCES**

The balances due to/from other funds at June 30, 2018, are as follows:

	<b>Due From Other Funds</b>	
	<b>Due to Other Funds</b>	<b>Contract Fire Revenue</b>
<b>Lighting</b>	\$	385
<b>Water</b>		419,224
<b>Sewer</b>		235,086
<b>Fire</b>		2,130,971
<b>Total Due From Other Funds</b>	<b>\$</b>	<b>2,785,666</b>

These interfund balances are a result of the negative cash balance in in the Lighting, Water, Sewer, and Fire funds.

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

**NOTE 6 – ACCRUED PAYABLES**

Payables at June 30, 2018, were as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Fire</u>	<u>Contract Fire Revenue</u>	<u>Total</u>
Vendors	\$ 23,674	\$ 1,432	\$ 1,083	\$ -	\$ 26,189
CalPERS	4,160	4,016	16,350	-	24,526
Lassen contract employees	-	-	-	129,557	129,557
<b>Total Accrued Payables</b>	<b>\$ 27,834</b>	<b>\$ 5,448</b>	<b>\$ 17,433</b>	<b>\$ 129,557</b>	<b>\$ 180,272</b>

**NOTE 7 – LONG-TERM LIABILITIES**

**7 - A. Long-Term Liabilities Summary**

Long-term liability activity for the year ended June 30, 2018 was as follows (in thousands):

	<u>Balance</u>				<u>Balance</u>
	<u>Jul. 01, 2017</u>	<u>Restatement</u>	<u>Additions</u>	<u>Deletions</u>	<u>Jun. 30, 2018</u>
Compensated absence	\$ 82,843	\$ -	\$ -	\$ 3,180	\$ 79,663
Net pension liability ("NPL")	1,450,063	-	147,937	-	1,598,000
Other postemployment benefits	-	570,000	158,000	-	728,000
<b>Total Long-Term Liabilities</b>	<b>\$ 1,532,906</b>	<b>\$ 570,000</b>	<b>\$ 305,937</b>	<b>\$ 3,180</b>	<b>\$ 2,405,663</b>

**7 - B. Compensated Absences**

The unpaid employee vacation for the year ended June 30, 2018 was \$7,223, \$7,223 and \$65,217 for the Water Fund, Sanitation Fund, and Fire Fund, respectively.

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

**7 - C. Net Pension Liabilities**

The District's pension activities between the District and Cal PERS for the year ended June 30, 2018, resulted in net pension obligations and other related balances as follows:

	<u>Cal PERS Risk Pool</u>		
	<u>Safety</u>	<u>Miscellaneous</u>	<u>Total</u>
Net Pension Liability	\$ (868,000)	\$ (730,000)	\$ (1,598,000)
Deferred Outflows of Resources	398,000	269,000	667,000
Deferred Inflows of Resources	-	(10,000)	(10,000)
<b>Effect on Net Position</b>	<b>\$ (470,000)</b>	<b>\$ (471,000)</b>	<b>\$ (941,000)</b>
Pension Expense	\$ 157,000	\$ 213,000	\$ 370,000

**7 - D. Net Pension Liabilities**

For the year ended June 30, 2018, the District's OPEB obligation was \$185,500, \$185,500, and \$357,000 for the Water Fund, Sanitation Fund, and Fire Fund, respectively. See Note 9 for additional information regarding the pension plans and activities.

***NOTE 8 – DEFINED BENEFIT PENSION***

**8 - A. General Information about the Pension Plan**

**Plan Description**

The California Public Employees' Retirement System ("CalPERS" or the System) is a cost-sharing, multiple-employer defined benefit public pension fund. CalPERS provides retirement benefit services for state, school, and public employers. Governed by a 13-member Board of Administration consisting of member-elected, appointed, and ex officio members. Established by legislation in 1931, the System became operational in 1932 to provide retirement to state employees. In 1939, new legislation allowed public agency and classified school employees to join CalPERS for retirement benefits. The benefits for the public agencies are established by contract with the System, in accordance with the provisions of the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>.

For accounting purposes only, Public Employees' Retirement Fund ("PERF") is comprised of and reported as three separate entities. PERF A is comprised of agent multiple-employer plans, which includes the State of California and most public agencies' rate plans with more than 100 active members. PERF B is a cost-sharing multiple employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies with generally less than 100 active members. The District's NPL is a part of PERF B

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

---

**Benefits Provided**

The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. The District's part of the following plans:

<u>Plan</u>	<u>Benefit Formula</u>
Safety Fire Plan	3.0% @ 50
PEPRA Safety Fire Plan	2.7% @ 57
Miscellaneous Plan	2.5% @ 55

More detailed calculation can be found in Appendix B in Section 2 of the Risk Pool Valuation Reports. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service. All non-state Second Tier members are eligible to receive cost-of-living (COLA) adjustments up to a maximum of 2 percent compounded annually (up to 5 percent maximum as a contract option for retired members of local agencies).

**Contributions**

The CalPERS Annual Valuation Report for Chester Public Utilities District as of June 30, 2015, reported 2017-18 required the following employer contributions:

<u>Plan</u>	<u>Employer Normal Cost Rate</u>	<u>Employer Payment of Unfunded Liability</u>	<u>Employee Contribution</u>
Safety Fire Plan	19.723%	\$51,318	9.00%
PEPRA Safety Fire Plan	11.990%	\$34	11.50%
Miscellaneous Plan	10.110%	\$62,461	8.00%

Contributions to the pension plan from the Districts' safety plans and miscellaneous plan was \$191,290 and \$123,519, respectively, for the year ended June 30, 2018.

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

**8 - B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the District reported a safety liability of \$868,000 and miscellaneous liability of \$729,000 for its proportionate shares of the net pension liabilities. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 plan relative to the projected contributions of all participating agencies, actuarially determined. The District's proportion was calculated as follows:

	<u>Jun. 30, 2017</u>	<u>Jun. 30, 2016</u>	<u>Difference</u>
<b>Safety Plan:</b>			
Total Pension Liability Allocation Basis	0.0001057	0.0001070	-0.0000013
Fiduciary Net Position Allocation Basis	0.0000901	0.0000904	-0.0000003
Deferred Outflows/Inflows of Resources and Pension Expense Allocation Basis	0.0001057	0.0002277	-0.0001220
<b>Miscellaneous Plan:</b>			
Total Pension Liability Allocation Basis	0.0001464	0.0001521	-0.0000057
Fiduciary Net Position Allocation Basis	0.0001338	0.0001394	-0.0000056
Deferred Outflows/Inflows of Resources and Pension Expense Allocation Basis	0.0001464	0.0002213	-0.0000749

For the year ended June 30, 2018, the District recognized total pension expenses of \$370,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows (Inflows) of Resources</b>		
	<b>Safety</b>	<b>Misc.</b>	<b>Total</b>
Changes of assumptions	\$ 87,000	\$ 90,000	\$ 177,000
Differences between expected and actual experience	5,000	(11,000)	(6,000)
Net difference between projected and actual earnings on pension plan	21,000	22,000	43,000
Differences between District contributions and proportionate share of contributions	80,000	34,000	114,000
Changes in proportion	64,000	26,000	90,000
District contributions subsequent to the measurement date	143,000	96,000	239,000
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 257,000</b>	<b>\$ 657,000</b>

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

---

Amounts 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:**

2019	\$ 416,000
2020	163,000
2021	103,000
2022	(25,000)
<b>Total</b>	<b>\$ 657,000</b>

---

**8 - C. Actuarial Assumptions and Discount Rate Information**

**Actuarial Assumptions**

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate:	7.15%
Inflation rate	2.75%
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 2.75% until PPPA floor on purchasing power applies, 2.75% thereafter
Post-Retirement Benefit Increase	

<sup>1</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

<b>Asset Class</b>	<b>Current Target Allocation</b>	<b>Real Return Years 1 – 10 <sup>1</sup></b>	<b>Real Return Years 11+ <sup>2</sup></b>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

<sup>1</sup> An expected inflation rate of 2.5% used for this period.

<sup>2</sup> An expected inflation rate of 3.0% used for this period.

**Sensitivity of the District's 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 calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
Safety NPL \$	1,181,000	\$ 868,000	\$ 613,000
Miscellaneous NPL	1,051,000	730,000	462,000
<b>\$</b>	<b>2,232,000</b>	<b>\$ 1,598,000</b>	<b>\$ 1,075,000</b>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

---

**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, 2018, the membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	1
Active employees	13
<b>Total</b>	<b>18</b>

**Total OPEB Liability**

The District’s total OPEB liability of \$728,000 was measured was measured in conformity with the requirements in GASB No. 75, paragraphs 225 and 226 for the alternative measurement method, as of June 30, 2018.

**Measurement Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2018 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate:	2.30%, based on <a href="https://data.bls.gov/timeseries/CUUR000SA0L1E?output_view=pct_12mths">https://data.bls.gov/timeseries/CUUR000SA0L1E?output_view=pct_12mths</a>
Discount Rate:	2.98%, <a href="https://my.spindices.com/indices/fixed-income/sp-municipal-bond-20-year-high-grade-rate-index">https://my.spindices.com/indices/fixed-income/sp-municipal-bond-20-year-high-grade-rate-index</a>
Turnover:	2003 SOA Pension Plan Turnover Study Small (1000 lives or less) Plan Age Table
Mortality:	CalPERS Mortality Rate, Miscellaneous
Benefit Increase:	CalPERS OPEB ASSUMPTION MODEL For Actuarial Valuations and Alternative Measurement Method Analyses Based on Data Measured After August 15, 2012

The CalPERS Miscellaneous assumptions can be downloaded at:

<https://www.calpers.ca.gov/docs/public-agencies-schools-assumption-methods.xlsx>



**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

---

**Changes in the Total OPEB Liability**

<b>Restated balance at July 01, 2017</b>	\$	570,000
<b>Changes for the year:</b>		
Service cost		188,000
Changes of benefit terms		(30,000)
<b>Net changes</b>		<b>158,000</b>
<b>Balances at June 30, 2018</b>	<b>\$</b>	<b>728,000</b>

**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:

	<b>Current Discount Rate</b>			
	<b>1% Decrease (1.98%)</b>	<b>(2.98%)</b>	<b>1% Increase (3.98%)</b>	
\$	821,000	\$ 728,000	\$	655,000
	<b>Current Health Trend Rate</b>			
	<b>1% Decrease (4.0%)</b>	<b>(5.0%)</b>	<b>1% Increase (6.0%)</b>	
\$	678,000	\$ 728,000	\$	780,000

**OPEB Expense**

For the year ended June 30, 2018, the District recognized an OPEB expense of \$163,592.

***NOTE 10 – PARTICIPATION IN A JOINT POWERS AUTHORITY***

JPRIMA provides general liability as well as public official and management liability coverages. The relationship is such that the JPA is not component units of the District for financial reporting purposes.

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.

During the year ended June 30, 2018, the District made payments of \$14,432 to JPRIMA.

**CHESTER PUBLIC UTILITIES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2018**

---

***NOTE 11 – SUBSEQUENT EVENTS***

No subsequent events noted through July 11, 2019.

***NOTE 12 – RESTATEMENT***

Due to the implementation of GASB Statement Nos. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the prior period adjustments of net position consist of the following:

	<u>Water</u>	<u>Sewer</u>	<u>Fire and Contract Fire Revenue</u>
Net Position, June 30, 2017	\$ 1,578,273	\$ 5,699,768	\$ 1,040,750
Increase In:			
Construction in progress	-	447,272	-
Other postemployment benefits	(145,000)	(145,000)	(280,000)
<b>Restated Net Position</b>	<b>\$ 1,433,273</b>	<b>\$ 6,002,040</b>	<b>\$ 760,750</b>

---

---

*REQUIRED SUPPLEMENTARY INFORMATION*

---

---

<PAGE INTENTIONALLY LEFT BLANK>

**CHESTER PUBLIC UTILITIES DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	2018	2017	2016	2015
<b>Safety Plan:</b>				
District's proportion of the net pension liability (asset)	0.01%	0.02%	0.02%	0.02%
District's proportionate share of the net pension liability (asset)	\$ 868,000	\$ 783,000	\$ 683,000	\$ 624,000
District's covered payroll	\$ 482,220	\$ 482,310	\$ 482,310	\$ 309,640
District's proportionate share of the net pension liability (asset) as a	180%	162%	142%	202%
Plan fiduciary net position as a percentage of the total pensionliabili	72%	73%	77%	79%
<b>Miscellaneous Plan:</b>				
District's proportion of the net pension liability (asset)	0.02%	0.02%	0.02%	0.02%
District's proportionate share of the net pension liability (asset)	\$ 729,000	\$ 667,000	\$ 573,000	\$ 482,000
District's covered payroll	\$ 328,473	\$ 279,023	\$ 279,023	\$ 214,425
District's proportionate share of the net pension liability (asset) as a	222%	239%	205%	225%
Plan fiduciary net position as a percentage of the total pensionliabili	75%	76%	80%	81%

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

**CHESTER PUBLIC UTILITIES DISTRICT**

**SCHEDULE OF CONTRIBUTIONS**

	2018	2017	2016	2015
<b>Safety Plan:</b>				
Contractually required contribution	\$ 191,290	\$ 138,233	\$ 101,729	\$ 59,979
Contributions in relation to the contractually required contribution	(191,290)	(123,164)	(123,589)	(112,382)
Contribution deficiency (excess)	\$ -	\$ 15,069	\$ (21,860)	\$ (52,403)
District's covered payroll	\$ 510,074	\$ 482,220	\$ 482,310	\$ 309,640
Contributions as a percentage of covered payroll	38%	29%	21%	19%
<b>Miscellaneous Plan:</b>				
Contractually required contribution	\$ 123,519	\$ 90,195	\$ 67,847	\$ 58,978
Contributions in relation to the contractually required contribution	(123,519)	(91,281)	(66,404)	(87,918)
Contribution deficiency (excess)	\$ -	\$ (1,086)	\$ 1,443	\$ (28,940)
District's covered payroll	\$ 427,255	\$ 328,473	\$ 279,023	\$ 214,425
Contributions as a percentage of covered payroll	29%	27%	24%	28%

---

---

*OTHER INDEPENDENT AUDITOR'S REPORT*

---

---

<PAGE INTENTIONALLY LEFT BLANK.



**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 Utilities 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 major fund of the Chester Public Utilities District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Chester Public Utilities District's basic financial statements, and have issued our report thereon dated July 25, 2019.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether Chester Public Utilities 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.

*Dennis Cooper & Associates C.P.A.s*

July 25, 2019

