

HEBER PUBLIC UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2020

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	
(Required Supplementary Information):	3 - 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12 - 13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Net Position	19
Statement of Cash Flows	20
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	21
Notes to Basic Financial Statements	23
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability	43
Schedule of Contributions - Defined Benefit Pension Plan	44
Budgetary Comparison Schedule:	
Special Revenue Fund	45
Note to Required Supplementary Information	47

THIS PAGE INTENTIONALLY LEFT BLANK



CLA (CliftonLarsonAllen LLP)
2875 Michelle Drive
Suite 300
Irvine, CA 92606
714-978-1300 | fax 714-978-7893
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Heber Public Utility District
El Centro, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Heber Public Utility District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditors' 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 of 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 auditors' 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 the governmental activities, the business-type activities, and each major fund of the Heber Public Utility District as of June 30, 2020, 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.

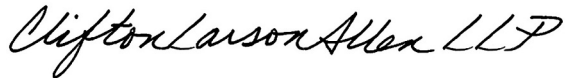
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, the schedule of contributions – defined benefit pension plans, and the budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Carlsbad, California
December 15, 2020

**HEBER PUBLIC UTILITY DISTRICT
Required Supplementary Information
Management's Discussion and Analysis**

June 30, 2020

This section of the Heber Public Utility District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2020. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020

- The assets of the District exceeded liabilities at the close of the 2019-2020 the fiscal year by \$28,411,473 (*Net Position*). Of this amount, \$3,856,510 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$657,601 is restricted for debt service and \$23,897,362 is invested in capital assets – net of related debt.
- As of June 30, 2020 the District's governmental funds reported combined fund balances of \$965,954 which is available to meet the District's Governmental Fund current and future needs (restricted fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components, government – wide financial statements, fund financial statements and notes to the financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

**HEBER PUBLIC UTILITY DISTRICT
Required Supplementary Information
Management's Discussion and Analysis**

June 30, 2020

REQUIRED FINANCIAL STATEMENTS

Government – Wide Financial Statements are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amounts of investments in resources and the obligations to District creditors. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business type activities). The governmental activities of the District are Parks and Recreation/Retention Basin and Street Lighting activities. The business type activities are Water, Sewer and Trash.

HEBER PUBLIC UTILITY DISTRICT
Required Supplementary Information
Management's Discussion and Analysis (Continued)

June 30, 2020

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related legal compliance. The funds of the District are: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

Proprietary Funds are used to account for when the District charges fees to cover the costs of certain services it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The District uses a proprietary fund to report its Water, Wastewater and Solid Waste activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information and other supplementary information which can be found on pages 42-46 of this report.

HEBER PUBLIC UTILITY DISTRICT
Required Supplementary Information
Management's Discussion and Analysis (Continued)

June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the District's Statement of Net Position in comparison to the prior year is presented below.

Condensed Statement of Net Position
Fiscal Years
June 30, 2019 and 2020

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Assets:						
Current and other Assets	\$ 919,184	\$ 973,229	\$ 3,908,343	\$ 4,476,275	\$ 4,827,527	\$ 5,449,504
Capital Assets	1,209,061	1,245,696	35,669,068	34,308,307	36,878,129	35,554,003
Total Assets	2,128,245	2,218,925	39,577,411	38,784,582	41,705,656	41,003,507
Deferred Outflows of Resources:						
Deferred amounts from pension	35,200	31,168	236,135	209,093	271,335	240,261
Total Deferred Outflows	35,200	31,168	236,135	209,093	271,335	240,261
Liabilities:						
Current Liabilities	88,760	27,476	654,058	703,408	742,818	730,884
Noncurrent	90,018	100,366	12,320,492	11,970,280	12,410,510	12,070,646
Total Liabilities	178,778	127,842	12,974,550	12,673,688	13,153,328	12,801,530
Deferred Inflows of Resources:						
Deferred amounts from pension	3,690	3,990	24,756	26,775	28,446	30,765
Total Deferred Inflows	3,690	3,990	24,756	26,775	28,446	30,765
Net Position:						
Net investment in capital assets	1,209,061	1,245,696	23,675,351	22,651,666	24,884,412	23,897,362
Restricted	-	-	711,294	657,601	711,294	657,601
Unrestricted	771,916	872,565	2,427,595	2,983,945	3,199,511	3,856,510
Total Net Position	\$ 1,980,977	\$ 2,118,261	\$ 26,814,240	\$ 26,293,212	\$ 28,795,217	\$ 28,411,473

HEBER PUBLIC UTILITY DISTRICT
Required Supplementary Information
Management's Discussion and Analysis (Continued)

June 30, 2020

A summary of the District's Statement of Activities in comparison to the prior year is presented below.

Condensed Statement of Activities
Fiscal Years
June 30, 2019 and 2020

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Program Revenues:						
Charges for Services:						
Parks and Recreation	\$ 87,755	\$ 87,202	\$ -	\$ -	\$ 87,755	\$ 87,202
Water, Wastewater & Trash	-	-	3,400,460	3,670,859	3,400,460	3,670,859
Capital contributions and grants	-	-	-	-	-	-
	<u>87,755</u>	<u>87,202</u>	<u>3,400,460</u>	<u>3,670,859</u>	<u>3,488,215</u>	<u>3,758,061</u>
General Revenues:						
Property Taxes	466,256	469,955	-	-	466,256	469,955
Investment earnings	-	-	2,689	2,703	2,689	2,703
Other Revenues	9,849	33,885	23,904	28,244	33,753	62,129
Transfers	148,828	48,828	(148,828)	(48,828)	-	-
	<u>624,933</u>	<u>552,668</u>	<u>(122,235)</u>	<u>(17,881)</u>	<u>502,698</u>	<u>534,787</u>
Total Revenue	<u>712,688</u>	<u>639,870</u>	<u>3,278,225</u>	<u>3,652,978</u>	<u>3,990,913</u>	<u>4,292,848</u>
Expenses:						
Parks and Recreation	562,222	502,586	-	-	562,222	502,586
Water, Wastewater & Trash OE	-	-	4,041,747	4,053,058	4,041,747	4,053,058
Loss on disposal	-	-	98,503	-	98,503	-
Interest on long-term debt	-	-	124,273	120,948	124,273	120,948
Total Expenses	<u>562,222</u>	<u>502,586</u>	<u>4,264,523</u>	<u>4,174,006</u>	<u>4,826,745</u>	<u>4,676,592</u>
Changes in Net Position	150,466	137,284	(986,298)	(521,028)	(835,832)	(383,744)
Beginning Net Position	1,830,511	1,980,977	27,800,538	26,814,240	29,631,049	28,795,217
Ending Net Position	<u>\$ 1,980,977</u>	<u>\$ 2,118,261</u>	<u>\$ 26,814,240</u>	<u>\$ 26,293,212</u>	<u>\$ 28,795,217</u>	<u>\$ 28,411,473</u>

The following is a brief explanation for the balance changes of the Condensed Statement of Activities for the year ending June 30, 2020.

- Charges for services in Governmental activities showed a modest increase primarily due to the CPI (Consumer Price Index) annual adjustment to the CFD's annual charge for services.
- No Capital Contributions or Grants were received from Federal or State Funds.
- Property Taxes had an increase of .80% with respect to 2020.
- The Revenues in Water, Sewer & Trash had a 8% increase due to rate increases.

HEBER PUBLIC UTILITY DISTRICT
Required Supplementary Information
Management's Discussion and Analysis (Continued)

June 30, 2020

CAPITAL ASSETS

As of June 30, 2020 the District's investment in capital assets net of accumulated depreciation was \$1,245,696 and \$34,308,307 for Governmental and Business-type Activities respectively. The investment in capital assets includes land, site improvements, buildings and improvements, machinery and equipment. The capital assets are presented in the government – wide statement of net position.

Capital Assets at Year-End

	Balance at June 30, 2019 Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Balance at June 30, 2020 Net of Accumulated Depreciation
Governmental Activities:					
Land	\$ 511,367	\$ -	\$ -	\$ -	\$ 511,367
Construction in progress	115,759	63,382	(87,941)	-	91,200
Buildings	461,555	23,500	87,941	(23,862)	549,134
Machinery and Equipment	103,524	-	-	(22,042)	81,482
Furniture and Fixtures	16,050	-	-	(5,743)	10,307
Computer Equipment	806	1,886	-	(486)	2,206
	<u>\$ 1,209,061</u>	<u>\$ 88,768</u>	<u>\$ -</u>	<u>\$ (52,133)</u>	<u>\$ 1,245,696</u>
Business-type Activities:					
Land	\$ 512,276	\$ -	\$ -	\$ -	\$ 512,276
Structures and Improvements	255,227	83,713	-	(50,636)	288,304
Machinery and Equipment	295,792	11,900	-	(33,339)	274,353
Infrastructure	34,592,074	-	-	(1,380,835)	33,211,239
Computer Equipment	13,699	18,546	-	(10,110)	22,135
	<u>\$35,669,068</u>	<u>\$ 114,159</u>	<u>\$ -</u>	<u>\$ (1,474,920)</u>	<u>\$34,308,307</u>

HEBER PUBLIC UTILITY DISTRICT
Required Supplementary Information
Management's Discussion and Analysis (Continued)

June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

- The governmental funds had a positive fund balance change of \$117,367 due to the transfers from Wastewater and Trash funds for the land and for the committed fund transfer from Trash to the Tito Huerta Sports light Project.
- The Water Fund had a negative net position change of \$234,126.
- The Wastewater Fund had a negative net position change of \$301,291.
- The Solid Waste Fund had a positive net position change of \$14,389.

LONG – TERM DEBT

As of June 30, 2020 the District had \$12,070,646 in noncurrent liabilities, which is net of the \$419,639 current portion of the long term liabilities as reported in the statement of net position. The outstanding debt consists of 2009 USDA Certificates of Participation, and SWRCB Water Boards Loan for the Water Treatment Plant Upgrade and the District's obligation to its employees for compensated absences, the District's net pension liability (note 6). For more detailed information about the District's long term-debt see note 4.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

New rates were FY 2019- adopted for 2020. The District anticipates a minimal increase in tax revenues as housing values depend on the offer and demand, the increase in property value is limited to no more than 2% according to Proposition 13. The District also anticipates capacity revenues due to the affordable capacity residential rates recently implemented.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, citizens, taxpayers, creditors, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Lexandra Carmelo, HPUD Finance Manager at (760) 482-2440.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 946,472	\$ 3,302,292	\$ 4,248,764
Restricted cash and cash equivalents	-	657,601	657,601
Accounts receivable	26,757	516,382	543,139
Total Current Assets	<u>973,229</u>	<u>4,476,275</u>	<u>5,449,504</u>
Noncurrent Assets:			
Capital Assets:			
Capital assets not being depreciated	602,567	512,276	1,114,843
Capital assets, net of depreciation	643,129	33,796,031	34,439,160
Total Capital Assets	<u>1,245,696</u>	<u>34,308,307</u>	<u>35,554,003</u>
Total Noncurrent Assets	<u>1,245,696</u>	<u>34,308,307</u>	<u>35,554,003</u>
TOTAL ASSETS	<u>2,218,925</u>	<u>38,784,582</u>	<u>41,003,507</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from pension	<u>31,168</u>	<u>209,093</u>	<u>240,261</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>31,168</u>	<u>209,093</u>	<u>240,261</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	5,009	58,811	63,820
Accrued interest payable	-	12,653	12,653
Accrued wages and benefits payable	2,266	41,545	43,811
Deposits	-	95,289	95,289
Long-term debt due within one year	-	419,639	419,639
Current portion of compensated absences	20,201	75,471	95,672
Total Current Liabilities	<u>27,476</u>	<u>703,408</u>	<u>730,884</u>
Noncurrent Liabilities:			
Net pension liability	100,366	673,278	773,644
Long-term debt due in more than one year	-	11,237,002	11,237,002
Compensated absences, net of current portion	-	60,000	60,000
Total Noncurrent Liabilities	<u>100,366</u>	<u>11,970,280</u>	<u>12,070,646</u>
TOTAL LIABILITIES	<u>127,842</u>	<u>12,673,688</u>	<u>12,801,530</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts from pension	<u>3,990</u>	<u>26,775</u>	<u>30,765</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,990</u>	<u>26,775</u>	<u>30,765</u>
NET POSITION			
Net investment in capital assets	1,245,696	22,651,666	23,897,362
Restricted for debt service	-	657,601	657,601
Unrestricted	872,565	2,983,945	3,856,510
TOTAL NET POSITION	<u>\$ 2,118,261</u>	<u>\$ 26,293,212</u>	<u>\$ 28,411,473</u>

The accompanying notes are an integral part of the financial statements.

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Parks and recreation	\$ 502,586	\$ 87,202	\$ -	\$ -
Total governmental activities	<u>502,586</u>	<u>87,202</u>	<u>-</u>	<u>-</u>
Business-Type Activities:				
Water	1,988,432	1,739,111	-	-
Wastewater	1,682,453	1,415,525	-	-
Solid waste	503,121	516,223	-	-
Total business-type activities	<u>4,174,006</u>	<u>3,670,859</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,676,592</u>	<u>\$ 3,758,061</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES

Property taxes
Investment income
Other revenues
Transfers
Total General Revenues

CHANGES IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

HEBER PUBLIC UTILITY DISTRICT

Net (Expense) Revenue and
Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (415,384)	\$ -	\$ (415,384)
<u>(415,384)</u>	<u>-</u>	<u>(415,384)</u>
-	(249,321)	(249,321)
-	(266,928)	(266,928)
-	13,102	13,102
<u>-</u>	<u>(503,147)</u>	<u>(503,147)</u>
<u>(415,384)</u>	<u>(503,147)</u>	<u>(918,531)</u>
469,955	-	469,955
-	2,703	2,703
33,885	28,244	62,129
48,828	(48,828)	-
<u>552,668</u>	<u>(17,881)</u>	<u>534,787</u>
137,284	(521,028)	(383,744)
<u>1,980,977</u>	<u>26,814,240</u>	<u>28,795,217</u>
<u>\$ 2,118,261</u>	<u>\$ 26,293,212</u>	<u>\$ 28,411,473</u>

HEBER PUBLIC UTILITY DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 942,522	\$ 3,950	\$ 946,472
Accounts receivable	26,757	-	26,757
Total Assets	<u>\$ 969,279</u>	<u>\$ 3,950</u>	<u>\$ 973,229</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 5,009	\$ -	\$ 5,009
Deposits	-	-	-
Accrued expenses	2,266	-	2,266
Total Liabilities	<u>7,275</u>	<u>-</u>	<u>7,275</u>
FUND BALANCES			
Restricted	<u>962,004</u>	<u>3,950</u>	<u>965,954</u>
Total Fund Balances	<u>962,004</u>	<u>3,950</u>	<u>965,954</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 969,279</u>	<u>\$ 3,950</u>	<u>\$ 973,229</u>

HEBER PUBLIC UTILITY DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020

	<u>Amount</u>
Fund balances for governmental funds	\$ 965,954
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in governmental funds (net of accumulated depreciation).	1,245,696
Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the statement of net position: Compensated absences	(20,201)
Pension-related liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities. Deferred outflows of resources Deferred inflows of resources Net pension liability	31,168 (3,990) <u>(100,366)</u>
Net position of governmental activities	<u>\$ 2,118,261</u>

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the year ended June 30, 2020

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 469,955	\$ -	\$ 469,955
Charges for services	87,202	-	87,202
Other revenues	33,885	-	33,885
Total Revenues	591,042	-	591,042
EXPENDITURES			
General government	435,176	-	435,176
Capital outlay	87,327	-	87,327
Total Expenditures	522,503	-	522,503
EXCESS OF REVENUES OVER EXPENDITURES	68,539	-	68,539
OTHER FINANCING SOURCES:			
Transfers in	48,828	-	48,828
Total Other Financing Sources	48,828	-	48,828
NET CHANGES IN FUND BALANCES	117,367	-	117,367
FUND BALANCES AT BEGINNING OF YEAR	844,637	3,950	848,587
FUND BALANCES AT END OF YEAR	\$ 962,004	\$ 3,950	\$ 965,954

HEBER PUBLIC UTILITY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	<u>Amount</u>
Net changes in fund balances - total governmental funds	\$ 117,367
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	\$ 88,768
Depreciation expense	<u>(52,133)</u>
	36,635
Pension expense reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	(14,680)
The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes current financial resources of governmental funds. However, these transactions have no effect on net position:	
Net decrease in compensated absences payable	<u>(2,038)</u>
Changes in net position of governmental activities	<u>\$ 137,284</u>

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUNDS June 30, 2020

	Water	Wastewater	Solid Waste	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,808,495	\$ 1,315,732	\$ 178,065	\$ 3,302,292
Restricted cash and cash equivalents	446,601	211,000	-	657,601
Accounts receivable	269,657	177,902	68,823	516,382
Total Current Assets	<u>2,524,753</u>	<u>1,704,634</u>	<u>246,888</u>	<u>4,476,275</u>
Noncurrent Assets:				
Capital Assets:				
Capital assets not being depreciated	-	512,276	-	512,276
Capital assets, net of depreciation	20,540,239	13,255,792	-	33,796,031
Total Noncurrent Assets	<u>20,540,239</u>	<u>13,768,068</u>	<u>-</u>	<u>34,308,307</u>
TOTAL ASSETS	<u>23,064,992</u>	<u>15,472,702</u>	<u>246,888</u>	<u>38,784,582</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts from pension	106,981	97,964	4,148	209,093
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>106,981</u>	<u>97,964</u>	<u>4,148</u>	<u>209,093</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	2,191	16,297	40,323	58,811
Accrued interest payable	6,712	5,941	-	12,653
Accrued wages and benefits payable	31,406	7,464	2,675	41,545
Deposits	48,583	39,628	7,078	95,289
Long-term debt due within one year	251,802	167,837	-	419,639
Current portion of compensated absences	39,577	35,894	-	75,471
Total Current Liabilities	<u>380,271</u>	<u>273,061</u>	<u>50,076</u>	<u>703,408</u>
Noncurrent Liabilities:				
Net pension liability	344,480	315,446	13,352	673,278
Long-term debt due in more than one year	7,088,698	4,148,304	-	11,237,002
Compensated absences	30,000	30,000	-	60,000
Total Noncurrent Liabilities	<u>7,463,178</u>	<u>4,493,750</u>	<u>13,352</u>	<u>11,970,280</u>
TOTAL LIABILITIES	<u>7,843,449</u>	<u>4,766,811</u>	<u>63,428</u>	<u>12,673,688</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts from pension	13,699	12,545	531	26,775
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,699</u>	<u>12,545</u>	<u>531</u>	<u>26,775</u>
NET POSITION				
Net investment in capital assets	13,199,739	9,451,927	-	22,651,666
Restricted	446,601	211,000	-	657,601
Unrestricted	1,668,485	1,128,383	187,077	2,983,945
TOTAL NET POSITION	<u>\$ 15,314,825</u>	<u>\$ 10,791,310</u>	<u>\$ 187,077</u>	<u>\$ 26,293,212</u>

The accompanying notes are an integral part of the financial statements.

HEBER PUBLIC UTILITY DISTRICTSTATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2020

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 1,739,111	\$ 1,415,525	\$ 516,223	\$ 3,670,859
Total Operating Revenues	<u>1,739,111</u>	<u>1,415,525</u>	<u>516,223</u>	<u>3,670,859</u>
OPERATING EXPENSES				
Salaries and benefits	682,967	504,587	29,023	1,216,577
Materials and supplies	253,485	169,599	1,381	424,465
Contract and other services	235,883	228,496	472,717	937,096
Depreciation	<u>739,972</u>	<u>734,948</u>	<u>-</u>	<u>1,474,920</u>
Total Operating Expenses	<u>1,912,307</u>	<u>1,637,630</u>	<u>503,121</u>	<u>4,053,058</u>
OPERATING INCOME (LOSS)	<u>(173,196)</u>	<u>(222,105)</u>	<u>13,102</u>	<u>(382,199)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	1,281	1,422	-	2,703
Other revenue	13,914	13,043	1,287	28,244
Interest expense	<u>(76,125)</u>	<u>(44,823)</u>	<u>-</u>	<u>(120,948)</u>
Total Nonoperating Revenues (Expenses)	<u>(60,930)</u>	<u>(30,358)</u>	<u>1,287</u>	<u>(90,001)</u>
Income (Loss) before Transfers	(234,126)	(252,463)	14,389	(472,200)
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>-</u>	<u>(48,828)</u>	<u>-</u>	<u>(48,828)</u>
Changes in Net Position	(234,126)	(301,291)	14,389	(521,028)
Net Position at Beginning of Year	<u>15,548,951</u>	<u>11,092,601</u>	<u>172,688</u>	<u>26,814,240</u>
Net Position at End of Year	<u>\$ 15,314,825</u>	<u>\$ 10,791,310</u>	<u>\$ 187,077</u>	<u>\$ 26,293,212</u>

The accompanying notes are an integral part of the financial statements.

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS June 30, 2020

	Water	Wastewater	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,713,817	\$ 1,401,147	\$ 509,924	\$ 3,624,888
Cash paid to vendors and suppliers for materials and services	(518,972)	(411,446)	(472,028)	(1,402,446)
Cash paid for employee wages, benefits, and related costs	(604,334)	(471,426)	(26,502)	(1,102,262)
Net cash provided by operating activities	<u>590,511</u>	<u>518,275</u>	<u>11,394</u>	<u>1,120,180</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to other funds	-	(48,828)	-	(48,828)
Net cash used by noncapital financing activities	<u>-</u>	<u>(48,828)</u>	<u>-</u>	<u>(48,828)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(92,986)	(21,173)	-	(114,159)
Principal paid on long-term debt	(170,901)	(166,175)	-	(337,076)
Interest paid on long-term debt	(76,125)	(44,823)	-	(120,948)
Net cash used by capital and related financing activities	<u>(340,012)</u>	<u>(232,171)</u>	<u>-</u>	<u>(572,183)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Investment income received	1,281	1,422	-	2,703
Net cash provided by investment activities	<u>1,281</u>	<u>1,422</u>	<u>-</u>	<u>2,703</u>
Net increase in cash and cash equivalents	251,780	238,698	11,394	501,872
Cash and cash equivalents, beginning of year	<u>2,003,316</u>	<u>1,288,034</u>	<u>166,671</u>	<u>3,458,021</u>
Cash and cash equivalents, end of year	<u>\$ 2,255,096</u>	<u>\$ 1,526,732</u>	<u>\$ 178,065</u>	<u>\$ 3,959,893</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (173,196)	\$ (222,105)	\$ 13,102	\$ (382,199)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	739,972	734,948	-	1,474,920
Other nonoperating revenues, net	13,914	13,043	1,287	28,244
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:				
(Increase) decrease in assets:				
Receivables	(36,978)	(21,705)	(7,377)	(66,060)
(Increase) decrease in deferred outflows:				
Deferred amounts from pension	13,836	12,670	536	27,042
Increase (decrease) in liabilities:				
Accounts payable	(29,604)	(13,351)	2,070	(40,885)
Accrued payroll and compensated absences	28,242	(12,983)	568	15,827
Deposits	(2,230)	(5,716)	(209)	(8,155)
Net pension liability	35,522	32,528	1,377	69,427
Increase (decrease) in deferred inflows:				
Deferred amounts from pension	1,033	946	40	2,019
Total Adjustments	<u>763,707</u>	<u>740,380</u>	<u>(1,708)</u>	<u>1,502,379</u>
Net cash provided by operating activities	<u>\$ 590,511</u>	<u>\$ 518,275</u>	<u>\$ 11,394</u>	<u>\$ 1,120,180</u>
Noncash investing, capital, and financing transactions:				
Acquisition and construction of capital assets in accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2020

	<u>Agency Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 448,801
Total Current Assets	<u>448,801</u>
Noncurrent Assets:	
Due from property owners	<u>1,185,080</u>
Total Noncurrent Assets	<u>1,185,080</u>
TOTAL ASSETS	<u><u>\$ 1,633,881</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 18,881
Long-term debt due within one year	<u>70,000</u>
Total Current Liabilities	<u>88,881</u>
Noncurrent Liabilities:	
Long-term debt due in more than one year	<u>1,545,000</u>
Total Noncurrent Liabilities	<u>1,545,000</u>
TOTAL LIABILITIES	<u><u>\$ 1,633,881</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK

June 30, 2020

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The reporting entity, Heber Public Utility District (the District or HPUD), includes the accounts of the District and the Heber Public Utility Financing Corporation (HPUFC).

The District was formed in 1931 under the Public Utility Act of 1921. HPUD was given the authority to function as a legal entity with powers similar to those of a city administrative body.

Raw water used by HPUD is supplied by the Central Main Canal via the Dogwood Canal, both of which are under the jurisdiction of the Imperial Irrigation District. The water is drawn from the canal, treated, used by the community, and then re-treated in the HPUD sewage treatment plant, and lastly the water is disposed of via agricultural drainage canals to the Salton Sea. Prior to 1972, when the first water treatment plant was completed, raw canal water was chlorinated by HPUD as a major part of the potable treatment process. Currently, the water treatment plant can now treat over 4,000,000 gallons of water per day.

Prior to 1968, sewage treatment needs in the city of Heber were met through the use of septic tanks. Heber's first sewage treatment plant was completed in 1968 with a design capacity of 150,000 gallons per day. In 1981, a new sewage treatment plant was built, which more than doubled the previous treatment plant's operating capacity. The District completed an expansion project in 2013, which gave the District capacity of 1,200,000 gallons per day.

The Heber Public Utility District is the primary government unit. Component units are those entities that are financially accountable to the primary government. Since the District's Board of Directors serves as the governing board for HPUFC, it is considered a blended component unit. Blended component units, although legally separate entities, are in substance part of the District's operations, and so data from these units are reported with the interfund data of the primary government.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

HEBER PUBLIC UTILITY DISTRICT

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

Net position of the District is classified into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The fund balance reported on the fund statements consists of the following categories:

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers or through enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's Board of Directors.

Assigned - This classification includes amounts to be used by the government, authorized by a board of directors, for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In the government-wide statements, the District considers restricted funds to be spent first and then unrestricted funds when expenditures are incurred for purposes for which both restricted and unrestricted net position is available. In the governmental funds, when both restricted and unrestricted resources are available for use, expenses are considered to be paid first from restricted resources and then from unrestricted resources. When committed, assigned, or unassigned amounts are available for use, expenses are considered to be paid first from committed, second from assigned, and third from unassigned.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District's governmental funds are presented after the government-wide financial statements. The District elected to show all funds as major funds in the fund financial statements.

The District reports the following major governmental funds:

The **Special Revenue Fund** is used to account for the proceeds of a specific revenue source that is legally restricted to expenditures for specified purposes. The District's Special Revenue Fund consists of the Parks and Recreation Fund.

The **Debt Service Fund** is used for the purpose of accumulating resources for the payment of interest and current principal on long-term general obligation debt of the governmental funds.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District reports the following major proprietary funds:

The **Water Fund** is used account for the operations, maintenance, and system construction of the District's water operations, which is funded by user charges and other fees.

The **Wastewater Fund** is used to account for the operations, maintenance, and system construction of the District's wastewater operations, which is funded by user charges and other fees.

The **Solid Waste Fund** is used to account for the operations, maintenance, and system construction of the District's solid waste operations, which is funded by user charges and other fees.

The District's fund structure also includes the following fund type:

The **Agency Fund** is custodial in nature and does not involve measurement of results of operations. It accounts for assets held by the District as an agent for Heber Public Utility District Community Facilities District No. 2005-1 by making payments to bondholders from property taxes collected by the County of Imperial.

d. New Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Current-Year Standards

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This statement provides temporary relief to governments and other stakeholders in light of the coronavirus (COVID-19) pandemic and postpones the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution other post-employment benefit (OPEB) plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

The requirements of these paragraphs did not impact the District.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. New Accounting Pronouncements (Continued)

Pending Accounting Standards

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, and early application is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2020, and early application is encouraged. The requirements of this statement should be applied prospectively.

In January 2020, the GASB issued statement No. 92, *Omnibus 2020*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, references to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and terminology used to refer to derivative instruments.

The requirements of this statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to post-employment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. New Accounting Pronouncements (Continued)

Pending Accounting Standards (Continued)

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement was issued to assist state and local governments in the transition away from existing interbank offered rates (IBORs), including the London Interbank Offered Rate (LIBOR) to other reference rates. LIBOR is expected to cease to exist in its current form at the end of 2021. It addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021, and early application is encouraged.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of 90 days or less.

f. Restricted Cash and Cash Equivalents

Certain amounts of cash and cash equivalents are restricted in use by law or debt covenant and accordingly are shown as restricted on the statement of net position. For the fiscal year ended June 30, 2020, the District had restricted cash and cash equivalents in the Water and Wastewater Funds of \$446,601 and \$211,000, respectively.

g. Receivables and Payables

Management estimates all receivables at June 30, 2020, to be collectable, as any receivables deemed uncollectable have been written off.

h. Compensated Absences

Vacation pay is payable to employees at the time used or upon termination of employment. In the government-wide financial statements, the cost of vacation pay is recorded as a liability when incurred.

i. Claims and Judgments

When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2020, in the opinion of the District's counsel, the District had no material claims that would require loss provision in the financial statements, including losses for claims that are incurred but not reported. Small dollar claims and judgments are recorded as expenditures when paid, if any.

j. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments due on November 1 and delinquent if paid after December 10 and February 1 and delinquent if paid after April 10. Property taxes are collected by the County of Imperial and distributed to the District in installments during the fiscal year. District property tax revenues are recognized when received.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets

The District defines capital assets as assets with initial, individual costs of more than \$5,000 and an estimated useful life in excess of one year. The District's capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Construction-in-progress costs are capitalized and transferred to their respective fixed asset category upon completion of the project.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Computer equipment	3 years
Machinery and equipment	5-15 years
Furniture and fixtures	6-15 years
Buildings	10-45 years
Infrastructure	5-40 years

l. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions for employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following that qualify for reporting in this category:

- Deferred inflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow from pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

HEBER PUBLIC UTILITY DISTRICT

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the statement of revenues, expenses, and changes in net position.

n. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

o. Use of Estimates

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

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2020, are reported in the accompanying financial statements as follows:

Current Assets:	
Cash and cash equivalents	\$ 4,248,764
Restricted cash and cash equivalents	657,601
Cash and cash equivalents with fiscal agent*	448,801
Total Cash and Cash Equivalents	<u>\$ 5,355,166</u>

Cash and cash equivalents at June 30, 2020, consisted of the following:

Cash on hand	\$ 100
Deposits with financial institutions	4,906,265
Investments - money market mutual fund	448,801
Total Cash and Cash Equivalents	<u>\$ 5,355,166</u>

* Reported on the statement of fiduciary assets and liabilities.

2. CASH AND CASH EQUIVALENTS (Continued)

The District has adopted an investment policy that authorizes it to invest in various investments.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations. At June 30, 2020, District's investments in money market mutual funds have a maturity of less than one year.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2020, the District's investment in money market mutual funds is rated AAA by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, all the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investments in money market mutual funds are not subject to the fair value hierarchy.

HEBER PUBLIC UTILITY DISTRICT

3. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Deletions and Transfers	Balance June 30, 2020
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 511,367	\$ -	\$ -	\$ 511,367
Construction in process	115,759	63,382	(87,941)	91,200
Total Capital Assets, Not Depreciated	<u>627,126</u>	<u>63,382</u>	<u>(87,941)</u>	<u>602,567</u>
Capital Assets, Being Depreciated:				
Buildings	648,244	23,500	87,941	759,685
Machinery and equipment	229,709	-	-	229,709
Furniture and fixtures	45,075	-	-	45,075
Computer equipment	3,219	1,886	-	5,105
Subtotal	<u>926,247</u>	<u>25,386</u>	<u>87,941</u>	<u>1,039,574</u>
Less Accumulated Depreciation For:				
Buildings	(186,689)	(23,862)	-	(210,551)
Machinery and equipment	(126,185)	(22,042)	-	(148,227)
Furniture and fixtures	(29,025)	(5,743)	-	(34,768)
Computer equipment	(2,413)	(486)	-	(2,899)
Total Accumulated Depreciation	<u>(344,312)</u>	<u>(52,133)</u>	<u>-</u>	<u>(396,445)</u>
Net Capital Assets, Being Depreciated	<u>581,935</u>	<u>(26,747)</u>	<u>87,941</u>	<u>643,129</u>
Net Capital Assets	<u>\$ 1,209,061</u>	<u>\$ 36,635</u>	<u>\$ -</u>	<u>\$ 1,245,696</u>

HEBER PUBLIC UTILITY DISTRICT

3. CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Deletions and Transfers	Balance June 30, 2030
Business-type activities:				
Capital Assets, Not Depreciated:				
Land	\$ 512,276	\$ -	\$ -	\$ 512,276
Construction in process	-	-	-	-
 Total Capital Assets, Not Depreciated	 512,276	 -	 -	 512,276
Capital Assets, Being Depreciated:				
Structures and improvements	498,939	83,713	-	582,652
Machinery and equipment	672,306	11,900	-	684,206
Infrastructure	48,622,788	-	-	48,622,788
Computer Equipment	77,165	18,546	-	95,711
 Subtotal	 49,871,198	 114,159	 -	 49,985,357
Less Accumulated Depreciation For:				
Structures and improvements	(243,712)	(50,636)	-	(294,348)
Machinery and equipment	(376,514)	(33,339)	-	(409,853)
Infrastructure	(14,030,714)	(1,380,835)	-	(15,411,549)
Computer Equipment	(63,466)	(10,110)	-	(73,576)
 Total Accumulated Depreciation	 (14,714,406)	 (1,474,920)	 -	 (16,189,326)
 Net Capital Assets, Being Depreciated	 35,156,792	 (1,360,761)	 -	 33,796,031
 Net Capital Assets	 <u>\$ 35,669,068</u>	 <u>\$ (1,360,761)</u>	 <u>\$ -</u>	 <u>\$ 34,308,307</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Parks and recreation	<u>\$ 52,133</u>
Total depreciation expense - governmental activities	<u>\$ 52,133</u>
Business-type Activities:	
Water	\$ 739,972
Wastewater	<u>734,948</u>
Total depreciation expense - business-type activities	<u>\$ 1,474,920</u>

HEBER PUBLIC UTILITY DISTRICT

4. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2020, consisted of the following:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Business-type activities:					
Other Debt					
2009 U.S.D.A. Certificates of Participation	\$ 2,900,000	\$ -	\$ (90,000)	\$ 2,810,000	\$ 90,000
Direct Borrowings					
2012 SRF Wastewater Treatment Expansion Loan	4,482,316	-	(166,175)	4,316,141	167,837
2015 SRF Wastewater Treatment Expansion Loan	4,611,401	-	(80,901)	4,530,500	161,802
Total	<u>\$ 11,993,717</u>	<u>\$ -</u>	<u>\$ (337,076)</u>	<u>\$ 11,656,641</u>	<u>\$ 419,639</u>

2009 U.S.D.A. Certificates of Participation

Certificates of Participation with a principal amount not to exceed \$3,533,000 were issued July 20, 2009, bear an interest rate of 2.63%, and mature June 1, 2049. The Certificates of Participation were issued to secure the loan from the U.S.D.A. RDA and to provide financing for the acquisition and installation of certain water system improvements. The principal amount outstanding at June 30, 2020, was \$2,810,000. Future debt service requirements for the Certificates of Participation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 90,000	\$ 73,763	\$ 163,763
2022	90,000	71,400	161,400
2023	90,000	69,038	159,038
2024	90,000	66,858	156,858
2025	90,000	64,313	154,313
2026-2030	460,000	286,282	746,282
2031-2035	500,000	223,254	723,254
2036-2040	500,000	157,673	657,673
2041-2045	500,000	91,918	591,918
2046-2049	400,000	26,264	426,264
	<u>\$ 2,810,000</u>	<u>\$ 1,130,762</u>	<u>\$ 3,940,762</u>

2012 SRF Wastewater Treatment Expansion Loan

This obligation is with the California State Water Resources Control Board - State Revolving Fund with a principal amount not to exceed \$11,411,131. The net revenues of the Wastewater Fund are pledged to secure this obligation. The obligation is for providing financing for the acquisition and installation of improvements to the wastewater treatment plant. The interest rate is 1.00%, and the loan matures on May 20, 2043. The principal amount outstanding at June 30, 2020, was \$4,316,141.

HEBER PUBLIC UTILITY DISTRICT

4. LONG-TERM DEBT (Continued)

2012 SRF Wastewater Treatment Expansion Loan (Continued)

Future debt service requirements for the loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 167,837	\$ 43,161	\$ 210,998
2022	169,515	41,483	210,998
2023	171,210	39,788	210,998
2024	172,922	38,076	210,998
2025	174,652	36,346	210,998
2026-2030	899,808	155,183	1,054,991
2031-2035	945,707	109,284	1,054,991
2036-2040	993,948	61,043	1,054,991
2041-2043	620,542	12,452	632,994
	<u>\$ 4,316,141</u>	<u>\$ 536,816</u>	<u>\$ 4,852,957</u>

2015 SRF Water Treatment Improvement Loan

On April 29, 2015, the District entered into a loan agreement to receive up to \$4,850,000 from the California State Water Resources Control Board to fund improvements to the water treatment plant. As of June 30, 2020, \$4,848,998 of the loan proceeds has been drawn down and utilized. The loan bears no interest and is payable in annual payments of \$161,802. The loan matures in January 2048. The principal amount outstanding at June 30, 2020, was \$4,530,500. Future debt service requirements for the loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 161,802	\$ -	\$ 161,802
2022	161,802	-	161,802
2023	161,802	-	161,802
2024	161,802	-	161,802
2025	161,802	-	161,802
2026-2030	809,010	-	809,010
2031-2035	809,010	-	809,010
2036-2040	809,010	-	809,010
2041-2045	809,010	-	809,010
2046-2048	485,450	-	485,450
	<u>\$ 4,530,500</u>	<u>\$ -</u>	<u>\$ 4,530,500</u>

HEBER PUBLIC UTILITY DISTRICT

5. SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

The District is a member of the Special District Risk Management Authority. Each member District pays for its proportionate share of its individually contracted insurance coverage. The District is insured against the following:

	Insurance <u>Per Occurrence</u>	Deductible <u>Per Occurrence</u>
General Liability (including Auto)	\$ 5,000,000	\$ 500
Public Officials and Employees’ Errors and Omissions	500,000	1,000
Employee Dishonesty	1,000,000	-
Personal Liability for Board Members	500,000	1,000
Employment Practices Liability	5,000,000	500
Property (Fire, Theft, and Flood)	1,000,000,000*	1,000
Uninsured Motorists	750,000	1,000
Boiler and Machinery	100,000,000*	1,000
Workers’ Compensation	5,000,000	-

* Up to insurable value of property

Settled claims have not exceeded any of the District’s coverage amounts in any of the last three fiscal years, and there were no reductions in the District’s insurance coverage during the year ended June 30, 2020.

6. PENSION PLAN

a. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s 2.5% at 55 (Tier I), 2.0% at 60 (Tier II), and 2.0% at 62 (Tier III PEPRA) miscellaneous employee pension plan, which is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) (Plan). Benefit provisions under the Plan are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS’s website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

6. PENSION PLAN (CONTINUED)

a. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

The Plan’s provisions and benefits in effect at the June 30, 2019, measurement date are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 Years of service	5 Years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	6.250%
Required employer contribution rates:		
Normal cost rate	10.022%	6.842%
Payment of unfunded liability	\$41,865	\$807

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total Plan contributions are determined through CalPERS’s annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if Plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by pension plan terms as Plan member contributions requirements are classified as Plan member contributions.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 773,644</u>

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District’s proportionate share 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 employers, actuarially determined.

HEBER PUBLIC UTILITY DISTRICT

6. PENSION PLAN (CONTINUED)

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District's proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2018 and 2019, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.01841%
Proportion - June 30, 2019	<u>0.01932%</u>
Change - Increase (Decrease)	0.00091%

For the year ended June 30, 2020, the District recognized pension expense of \$234,665. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 121,496	\$ -
Differences between actual and expected experiences	53,733	(4,163)
Change in assumptions	36,891	(13,077)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	28,141	-
Net differences between projected and actual earnings on plan investments	-	(13,525)
Total	<u>\$ 240,261</u>	<u>\$ (30,765)</u>

An amount of \$121,496 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	<u>Amount</u>
2021	\$ 76,095
2022	1,393
2023	7,778
2024	2,734
2025	-
Thereafter	-
	<u>\$ 88,000</u>

6. PENSION PLAN (Continued)

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2019, measurement period was determined by an actuarial valuation as of June 30, 2018, with updated procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post-Retirement Benefit Increase	(3)

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CAIPERS demographic data from 1997 to 2015) available on the CAIPERS's website.
- (3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

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, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 fund. The expected rate of return was set by calculating the rounded 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 adjusted to account for assumed administrative expenses.

6. PENSION PLAN (Continued)

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Long-Term Expected Rate of Return (Continued)

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 1,328,788
Current Discount Rate	7.15%
Net Pension Liability	\$ 773,644
1% Increase	8.15%
Net Pension Liability	\$ 315,412

6. PENSION PLAN (Continued)

- b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS's financial reports.

- c. Payable to the Pension Plan

At June 30, 2020, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

7. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020, consisted of transfer of \$48,828 from the Wastewater Fund to the Special Revenue Fund to compensate for property now held by the Wastewater Fund.

8. COMMITMENTS AND CONTINGENT LIABILITIES

Grant Audit Contingencies

Grant funds received by the District are subject to audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. District management believes disallowances, if any, will be immaterial.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that the ultimate outcome of such matters, if any, will not materially affect its financial condition.

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of COVID-19 and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations, and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District's results of future operations and financial position in fiscal year 2021.

9. SUBSEQUENT EVENTS

Events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure as of December 15, 2020, which is the date these financial statements were available to be issued.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

HEBER PUBLIC UTILITY DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.00755%	0.00720%	0.00735%	0.00715%	0.01627%	0.00126%
Plan's proportionate share of the net pension liability	\$ 773,644	\$ 693,869	\$ 728,493	\$ 618,291	\$ 446,488	\$ 313,558
Plan's covered payroll	\$ 787,336	\$ 775,142	\$ 764,649	\$ 760,005	\$ 745,373	\$ 745,373
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	98.26%	89.52%	95.27%	81.35%	59.90%	42.07%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	75.26%	73.31%	74.06%	83.52%	87.25%
Plan's proportionate share of aggregate employer contributions	\$ 138,965	\$ 118,464	\$ 105,031	\$ 90,102	\$ 82,674	\$ 58,011

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

HEBER PUBLIC UTILITY DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 121,496	\$ 114,899	\$ 105,456	\$ 101,781	\$ 93,108	\$ 80,895
Contributions in relation to the actuarially determined contributions	(121,496)	(114,899)	(105,456)	(101,781)	(93,108)	(80,895)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 682,572	\$ 787,336	\$ 775,142	\$ 764,649	\$ 760,005	\$ 745,373
Contributions as a percentage of covered payroll	17.80%	14.59%	13.60%	13.31%	12.25%	10.85%

Notes to Schedule:

Valuation Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 for Miscellaneous plan, 52 for PEPR plan

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

HEBER PUBLIC UTILITY DISTRICT

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, JULY 1, 2019	\$ 844,637	\$ 844,637	\$ 844,637	\$ -
RESOURCES (INFLOWS):				
Property taxes	465,000	465,000	469,955	4,955
Charges for services	81,300	81,300	87,202	5,902
Other revenues	14,700	14,700	33,885	19,185
Amount Available for Appropriations	561,000	561,000	591,042	30,042
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	545,700	545,700	435,176	110,524
Capital outlay	10,800	10,800	87,327	(76,527)
Total Charges to Appropriations	556,500	556,500	522,503	33,997
Excess (Deficiency) of Appropriations	4,500	4,500	68,539	(3,955)
OTHER FINANCING SOURCES (USES):				
Transfers in	48,900	48,900	48,828	(72)
NET CHANGES IN FUND BALANCE	53,400	53,400	117,367	63,967
FUND BALANCE, JUNE 30, 2020	\$ 898,037	\$ 898,037	\$ 962,004	\$ 63,967

THIS PAGE INTENTIONALLY LEFT BLANK

1. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the special revenue fund. All annual appropriations lapse at fiscal year end.

