

**HEBER PUBLIC UTILITY DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2021**

DRAFT

NIGRO & NIGRO^{PC}

HEBER PUBLIC UTILITY DISTRICT
For the Fiscal Year Ended June 30, 2021
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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Heber Public Utility District
Heber, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Heber Public Utility District as of and for the fiscal year ended June 30, 2021, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Heber Public Utility District, as of June 30, 2021, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 15, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Murrieta, California
February 15, 2022

HEBER PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

Management's Discussion and Analysis (MD&A) offers readers of Heber Public Utility District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position decreased 2.14%, or (\$607,522) from the prior year's net position of \$28,411,473 to \$27,803,951.
- Total program and general revenues decreased by 0.99%, or (\$42,654) from \$4,292,848 to \$4,250,194, from the prior year.
- Total expenses for the District's operations increased by 3.87% or \$181,124 from \$4,676,592 to \$4,857,716, from the prior year, primarily due to the \$123,488 increase in operations expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

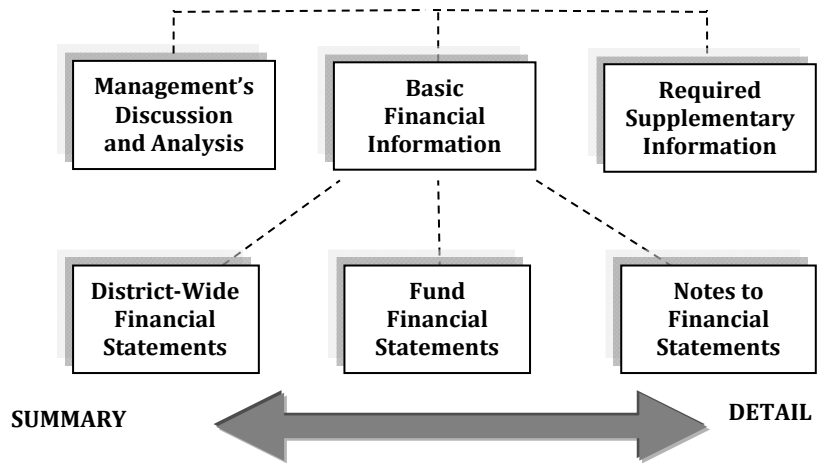
- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary fund statements*.

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1. Organization of Heber Public Utility District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Fund	Proprietary Funds
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary	Activities of the District that operate like a business, such as self-insurance funds
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has three kinds of funds:

- 1) **Governmental funds** – Governmental funds generally focus on (1) how cash and other financial assets can readily be converted into cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers compensation claims, health and welfare benefits, and property and liability claims.

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

- 3) **Fiduciary funds** – A Custodial Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments. The custodial funds are used to account for taxes received for special assessments debt for which the District is not obligated.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
ASSETS:						
Current assets	\$ 755,680	\$ 973,229	\$ 4,718,673	\$ 4,476,275	\$ 5,474,353	\$ 5,449,504
Capital assets, net	1,728,135	1,245,696	32,980,097	34,308,307	34,708,232	35,554,003
Total assets	2,483,815	2,218,925	37,698,770	38,784,582	40,182,585	41,003,507
DEFERRED OUTFLOWS OF RESOURCES	34,459	31,168	225,717	209,093	260,176	240,261
LIABILITIES:						
Current liabilities	57,690	27,476	773,674	703,408	831,364	730,884
Non-current liabilities	115,119	100,366	11,643,482	11,970,280	11,758,601	12,070,646
Total liabilities	172,809	127,842	12,417,156	12,673,688	12,589,965	12,801,530
DEFERRED INFLOWS OF RESOURCES	6,978	3,990	41,867	26,775	48,845	30,765
NET POSITION						
Net investment in capital assets	1,728,135	1,245,696	21,743,095	22,651,666	23,471,230	23,897,362
Unrestricted	610,352	872,565	3,722,369	3,641,546	4,332,721	4,514,111
Total net position	\$ 2,338,487	\$ 2,118,261	\$ 25,465,464	\$ 26,293,212	\$ 27,803,951	\$ 28,411,473

At the end of fiscal year 2021, the District shows a positive balance in its unrestricted net position of \$4,332,721.

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
REVENUES:						
Program revenues	\$ 108,315	\$ 87,202	\$ 3,547,480	\$ 3,670,859	\$ 3,655,795	\$ 3,758,061
General revenues and transfers	614,134	552,668	(19,735)	(17,881)	594,399	534,787
Total revenues	722,449	639,870	3,527,745	3,652,978	4,250,194	4,292,848
EXPENSES:						
Operations	453,597	450,453	2,701,626	2,578,138	3,155,223	3,028,591
Depreciation expense	48,626	52,133	1,539,248	1,474,920	1,587,874	1,527,053
Interest expense	-	-	114,619	120,948	114,619	120,948
Total expenses	502,223	502,586	4,355,493	4,174,006	4,857,716	4,676,592
Change in operations before special item	220,226	137,284	(827,748)	(521,028)	(607,522)	(383,744)
NET POSITION:						
Beginning of year	2,118,261	1,980,977	26,293,212	26,814,240	28,411,473	28,795,217
End of year	\$ 2,338,487	\$ 2,118,261	\$ 25,465,464	\$ 26,293,212	\$ 27,803,951	\$ 28,411,473

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations decreased 2.14%, or (\$607,522) from the prior year's net position of \$28,411,473 to \$27,803,951.

Total program and general revenues decreased by 0.99%, or (\$42,654) from \$4,292,848 to \$4,250,194, from the prior year.

Total expenses for the District's operations increased by 3.87% or \$181,124 from \$4,676,592 to \$4,857,716, from the prior year, primarily due to the \$123,488 increase in operations expenses.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2021, the District reported a total fund balance of \$715,672. An amount of \$694,040 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District's general fund at year-end were \$423,281 less than actual. The variance was due to actual capital outlay expenses being \$490,565 more than budgeted. Actual revenues were greater than the anticipated budget by \$137,421.

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSET ADMINISTRATION

Table A-3: Capital Assets at Year End, Net of Depreciation

	<u>Balance</u> <u>June 30, 2021</u>	<u>Balance</u> <u>June 30, 2020</u>
Non-depreciable capital assets	\$ 1,037,721	\$ 1,114,843
Depreciable capital assets	<u>51,844,157</u>	<u>51,024,931</u>
Total capital assets	52,881,878	52,139,774
Accumulated depreciation	<u>(18,173,645)</u>	<u>(16,585,771)</u>
Total capital assets, net	<u>\$ 34,708,233</u>	<u>\$ 35,554,003</u>

At the end of fiscal year 2021, the District's investment in capital assets amounted to \$34,708,233 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various ongoing structural improvements and equipment totaling \$742,104.

See Note 3 for further information on the District's capital assets.

DEBT ADMINISTRATION

Table A-4: Long-term Debt

	<u>Balance</u> <u>June 30, 2021</u>	<u>Balance</u> <u>June 30, 2020</u>
Long-term debt	<u>\$ 11,237,002</u>	<u>\$ 11,656,641</u>

At the end of fiscal year 2021, the District paid-down its long-term debt by \$419,639. See Note 5 for further information on the District's outstanding debt.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at 1078 Dogwood Rd, Ste. 103, Heber, CA 92249 or (760) 482-2440.

HEBER PUBLIC UTILITY DISTRICT
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 699,785	\$ 4,204,396	\$ 4,904,181
Accounts receivable – services, net (Note 3)	55,363	514,277	569,640
Property taxes receivable	532	-	532
Total current assets	755,680	4,718,673	5,474,353
Non-current assets:			
Capital assets – not being depreciated (Note 4)	525,445	512,276	1,037,721
Capital assets – being depreciated, net (Note 4)	1,202,690	32,467,821	33,670,511
Total non-current assets	1,728,135	32,980,097	34,708,232
Total assets	2,483,815	37,698,770	40,182,585
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources (Note 7)	34,459	225,717	260,176
Total deferred outflows of resources	34,459	225,717	260,176
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	33,568	150,390	183,958
Customer deposits and unearned revenue	2,490	95,957	98,447
Accrued interest payable	-	10,348	10,348
Compensated absences (Note 5)	21,632	95,662	117,294
Long-term debt due within a year (Note 6)	-	421,317	421,317
Total current liabilities	57,690	773,674	831,364
Non-current liabilities:			
Compensated absences (Note 5)	-	80,000	80,000
Long-term debt due in more than a year (Note 6)	-	10,815,685	10,815,685
Net pension liability (Note 7)	115,119	747,797	862,916
Total non-current liabilities	115,119	11,643,482	11,758,601
Total liabilities	172,809	12,417,156	12,589,965
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows of resources (Note 7)	6,978	41,867	48,845
Total deferred inflows of resources	6,978	41,867	48,845
<u>NET POSITION</u>			
Net investment in capital assets (Note 8)	1,728,135	21,743,095	23,471,230
Unrestricted	610,352	3,722,369	4,332,721
Total net position	\$ 2,338,487	\$ 25,465,464	\$ 27,803,951

HEBER PUBLIC UTILITY DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital and Operating Grants
Primary government:			
Governmental activities:			
Parks and recreation	\$ 502,223	\$ 108,315	\$ 117,500
Total governmental activities	502,223	108,315	117,500
Business-type activities:			
Water	2,009,295	1,674,274	6,174
Wastewater	1,820,439	1,324,921	-
Solid waste	525,759	542,111	-
Total business-type activities	4,355,493	3,541,306	6,174
Total primary government	\$ 4,857,716	\$ 3,649,621	\$ 123,674

HEBER PUBLIC UTILITY DISTRICT
Statement of Activities (continued)
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Parks and recreation	\$ (276,408)	\$ -	\$ (276,408)
Total governmental activities	<u>(276,408)</u>	<u>-</u>	<u>(276,408)</u>
Business-type activities:			
Water	-	(328,847)	(328,847)
Wastewater	-	(495,518)	(495,518)
Solid waste	-	16,352	16,352
Total business-type activities	<u>-</u>	<u>(808,013)</u>	<u>(808,013)</u>
Total primary government	<u>(276,408)</u>	<u>(808,013)</u>	<u>(1,084,421)</u>
General revenues and transfers:			
Property taxes	444,238	-	444,238
Investment earnings	-	1,424	1,424
Other revenues	3,568	27,669	31,237
Transfers - operations (Note 10)	48,828	(48,828)	-
Total general revenues and transfers	<u>496,634</u>	<u>(19,735)</u>	<u>476,899</u>
Change in net position	<u>220,226</u>	<u>(827,748)</u>	<u>(607,522)</u>
Net position:			
Beginning of year	2,118,261	26,293,212	28,411,473
End of year	<u>\$ 2,338,487</u>	<u>\$ 25,465,464</u>	<u>\$ 27,803,951</u>

HEBER PUBLIC UTILITY DISTRICT
Balance Sheet – Governmental Funds
June 30, 2021

<u>Assets</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 695,835	\$ 3,950	\$ 699,785
Accounts receivable – services, net	55,363	-	55,363
Property taxes receivable	532	-	532
Total assets	\$ 751,730	\$ 3,950	\$ 755,680
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 33,568	\$ -	\$ 33,568
Deposits	2,490	-	2,490
Total liabilities	36,058	-	36,058
Fund balance: (Note 9)			
Assigned	21,632	-	21,632
Unassigned	694,040	3,950	697,990
Total fund balance	715,672	3,950	719,622
Total liabilities and fund balance	\$ 751,730	\$ 3,950	\$ 755,680

HEBER PUBLIC UTILITY DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021*

Total Fund Balances – Total Governmental Funds	<u>\$ 719,622</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	1,728,135
Long-term liabilities applicable to the District 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 as follows:	
Compensated absences	(21,632)
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	34,459
Deferred inflows of resources	(115,119)
Net pension liability	<u>(6,978)</u>
Total adjustments	<u>1,618,865</u>
Net Position of Governmental Activities	<u><u>\$ 2,338,487</u></u>

HEBER PUBLIC UTILITY DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021*

	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 444,238	\$ -	\$ 444,238
Charges for services	108,315	-	108,315
Grant revenue	117,500	-	117,500
Other revenues	3,568	-	3,568
Total revenues	<u>673,621</u>	<u>-</u>	<u>673,621</u>
Expenditures:			
Current:			
Park maintenance and other expenses	437,716	-	437,716
Capital outlay	531,065	-	531,065
Total expenditures	<u>968,781</u>	<u>-</u>	<u>968,781</u>
Revenues over(under) expenditures	<u>(295,160)</u>	<u>-</u>	<u>(295,160)</u>
Other financing sources(uses):			
Transfers in(out) (Note 10)	48,828	-	48,828
Total other financing sources(uses)	<u>48,828</u>	<u>-</u>	<u>48,828</u>
Change in fund balance	<u>(246,332)</u>	<u>-</u>	<u>(246,332)</u>
Fund balance:			
Beginning of year	962,004	3,950	965,954
End of year	<u>\$ 715,672</u>	<u>\$ 3,950</u>	<u>\$ 719,622</u>

HEBER PUBLIC UTILITY DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2021*

Net Changes in Fund Balance – Total Governmental Funds	<u>\$ (246,332)</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Net change in compensated absences	(1,431)
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.	(14,450)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	531,065
Depreciation expense	<u>(48,626)</u>
Total adjustments	<u>466,558</u>
Change in Net Position of Governmental Activities	<u><u>\$ 220,226</u></u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2021

<u>ASSETS</u>	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 2,470,865	\$ 1,535,972	\$ 197,559	\$ 4,204,396
Accounts receivable – services, net	270,212	171,389	72,676	514,277
Total current assets	<u>2,741,077</u>	<u>1,707,361</u>	<u>270,235</u>	<u>4,718,673</u>
Non-current assets:				
Capital assets – not being depreciated	-	512,276	-	512,276
Capital assets – being depreciated, net	19,842,505	12,625,316	-	32,467,821
Total non-current assets	<u>19,842,505</u>	<u>13,137,592</u>	<u>-</u>	<u>32,980,097</u>
Total assets	<u>22,583,582</u>	<u>14,844,953</u>	<u>270,235</u>	<u>37,698,770</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension related deferred outflows of resources	115,322	105,692	4,703	225,717
Total deferred outflows of resources	<u>115,322</u>	<u>105,692</u>	<u>4,703</u>	<u>225,717</u>
Total assets and deferred outflows of resources	<u>\$ 22,698,904</u>	<u>\$ 14,950,645</u>	<u>\$ 274,938</u>	<u>\$ 37,924,487</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 61,662	\$ 44,810	\$ 43,918	\$ 150,390
Customer deposits and unearned revenue	47,037	40,505	8,415	95,957
Accrued interest payable	5,688	4,660	-	10,348
Compensated absences	50,439	45,223	-	95,662
Long-term debt due within a year	251,802	169,515	-	421,317
Total current liabilities	<u>416,628</u>	<u>304,713</u>	<u>52,333</u>	<u>773,674</u>
Non-current liabilities:				
Compensated absences	40,000	40,000	-	80,000
Long-term debt due in more than a year	6,836,896	3,978,789	-	10,815,685
Net pension liability	381,866	350,090	15,841	747,797
Total non-current liabilities	<u>7,258,762</u>	<u>4,368,879</u>	<u>15,841</u>	<u>11,643,482</u>
Total liabilities	<u>7,675,390</u>	<u>4,673,592</u>	<u>68,174</u>	<u>12,417,156</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension related deferred inflows of resources	21,271	19,561	1,035	41,867
Total deferred inflows of resources	<u>21,271</u>	<u>19,561</u>	<u>1,035</u>	<u>41,867</u>
<u>NET POSITION</u>				
Net investment in capital assets	12,753,807	8,989,288	-	21,743,095
Unrestricted (Deficit)	2,248,436	1,268,204	205,729	3,722,369
Total net position	<u>15,002,243</u>	<u>10,257,492</u>	<u>205,729</u>	<u>25,465,464</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 22,698,904</u>	<u>\$ 14,950,645</u>	<u>\$ 274,938</u>	<u>\$ 37,924,487</u>

HEBER PUBLIC UTILITY DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2021*

	Water Operations	Wastewater Operations	Solid Waste Operations	Total
Operating revenues:				
Water consumption sales	\$ 1,674,274	\$ -	\$ -	\$ 1,674,274
Sewer service charges	-	1,324,921	-	1,324,921
Solid waste collection charges	-	-	542,111	542,111
Other charges for services	3,505	-	-	3,505
Total operating revenues	1,677,779	1,324,921	542,111	3,544,811
Operating expenses:				
Operations	1,173,434	1,002,433	525,759	2,701,626
Total operating expenses	1,173,434	1,002,433	525,759	2,701,626
Operating income before depreciation	504,345	322,488	16,352	843,185
Depreciation expense	(763,122)	(776,126)	-	(1,539,248)
Operating income(loss)	(258,777)	(453,638)	16,352	(696,063)
Non-operating revenue(expense) and transfers:				
Investment earnings	675	749	-	1,424
Other revenue	12,085	9,779	2,300	24,164
Interest expense	(72,739)	(41,880)	-	(114,619)
Transfers – operations (Note 10)	-	(48,828)	-	(48,828)
Total non-operating, net and transfers	(59,979)	(80,180)	2,300	(137,859)
Capital contributions:				
Capacity fees	6,174	-	-	6,174
Total capital contributions	6,174	-	-	6,174
Change in net position	(312,582)	(533,818)	18,652	(827,748)
Net position:				
Beginning of year	15,314,825	10,791,310	187,077	26,293,212
End of year	\$ 15,002,243	\$ 10,257,492	\$ 205,729	\$ 25,465,464

HEBER PUBLIC UTILITY DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from customers and others	\$ 1,687,763	\$ 1,342,090	\$ 541,895	\$ 3,571,748
Cash paid to employees for salaries and wages	(425,668)	(351,224)	(17,003)	(793,895)
Cash paid to vendors and suppliers	(662,222)	(576,899)	(505,398)	(1,744,519)
Net cash provided by operating activities	<u>599,873</u>	<u>413,967</u>	<u>19,494</u>	<u>1,033,334</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(65,388)	(145,651)	-	(211,039)
Proceeds from capital contributions	6,174	-	-	6,174
Transfer (to)from other funds	-	(48,828)	-	(48,828)
Principal payments on long-term debt	(251,802)	(167,837)	-	(419,639)
Interest payments on long-term debt	(73,763)	(43,160)	-	(116,923)
Net cash (used in) capital/financing activities	<u>(384,779)</u>	<u>(405,476)</u>	<u>-</u>	<u>(790,255)</u>
Cash flows from investing activities:				
Investment earnings	675	749	-	1,424
Net cash provided by investing activities	<u>675</u>	<u>749</u>	<u>-</u>	<u>1,424</u>
Net increase in cash	215,769	9,240	19,494	244,503
Cash and cash equivalents:				
Beginning of year	2,255,096	1,526,732	178,065	3,959,893
End of year	<u>\$ 2,470,865</u>	<u>\$ 1,535,972</u>	<u>\$ 197,559</u>	<u>\$ 4,204,396</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:				
Operating income(loss)	<u>\$ (258,777)</u>	<u>\$ (453,638)</u>	<u>\$ 16,352</u>	<u>\$ (696,063)</u>
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:				
Depreciation expense	763,122	776,126	-	1,539,248
Other non-operating revenue	12,085	9,779	2,300	24,164
Changes in account balances:				
(Increase)decrease in assets:				
Accounts receivable – services, net	(555)	6,513	(3,853)	2,105
(Increase)decrease in deferred outflows of res.	(8,341)	(7,728)	(555)	(16,624)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	28,065	21,049	920	50,034
Customer deposits and unearned revenue	(1,546)	877	1,337	668
Compensated absences	20,862	19,329	-	40,191
Net pension liability	37,386	34,644	2,489	74,519
Increase(decrease) in deferred inflows of res.	7,572	7,016	504	15,092
Total adjustments	<u>858,650</u>	<u>867,605</u>	<u>3,142</u>	<u>1,729,397</u>
Net cash provided by operating activities	<u>\$ 599,873</u>	<u>\$ 413,967</u>	<u>\$ 19,494</u>	<u>\$ 1,033,334</u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Net Position – Fiduciary Fund
June 30, 2021

<u>Assets</u>	<u>Custodial Fund</u>
Current assets:	
Cash and investments	\$ 554,866
Total Current Assets	<u>554,866</u>
Non-current assets:	
Due from property owners	<u>1,025,011</u>
Total Non-Current Assets	<u>1,025,011</u>
Total assets	<u>\$ 1,579,877</u>
<u>Liabilities and Net Position</u>	
Current liabilities:	
Accounts payable	\$ 34,877
Bonds payable - current portion	<u>70,000</u>
Total Current Liabilities	<u>104,877</u>
Non-current liabilities:	
Bonds payable - non-current portion	<u>1,475,000</u>
Total Non-Current Liabilities	<u>1,475,000</u>
Total liabilities	<u>1,579,877</u>
Net position:	
Total net position	<u>-</u>
Total liabilities and net position	<u>\$ 1,579,877</u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Changes in Net Position – Fiduciary Fund
For the Fiscal Year Ended June 30, 2021

	Custodial Fund
Additions:	
Special assesment taxes	\$ 121,320
Interest income	59
Total revenues	<u>121,379</u>
Deductions:	
Services - Heber Meadows	13,300
Administration	25,674
Interest expense	82,405
Total expenses	<u>121,379</u>
Change in net position	<u>-</u>
Net position:	
Beginning of year	<u>-</u>
End of year	<u><u>\$ -</u></u>

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The reporting entity, Heber Public Utility District (District), 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. The District was given the authority to function as a legal entity with powers similar to those of a city administrative body.

Raw water used by the District 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.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

Governmental fund financial statements are reported using the 'current financial resources' measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The primary revenue sources susceptible to accrual are property taxes, charges for services, and interest associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

A Custodial Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments. The custodial funds are used to account for taxes received for special assessments debt for which the District is not obligated.

Major Governmental Funds

The District maintains the following major governmental funds:

Parks and Recreation Fund: This fund is used to account for all financial resources of the District's parks and recreation activities.

Debt Service Fund: This 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.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Water Operations: This fund accounts for the water transmission and distribution operations of the District.

Sewer Operations: This fund accounts for the sewer system operations of the District.

Solid Waste Operations: This fund accounts for the solid waste collection and disposal operations of the District.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Receivables – Services

The District extends credit to customers in the normal course of operations. Management views all accounts receivable as collectible; however, certain accounts are delinquent and an allowance for doubtful accounts has not been recorded.

4. Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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 a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports 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 a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

7. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. 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) plan and addition to/deductions from the Plans 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.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Pensions (Continued)

The following timeframes are used for pension reporting:

Valuation Date June 30, 2019

Measurement Date June 30, 2020

Measurement Period July 1, 2019 to June 30, 2020

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

9. Net Position

Net position is classified into two 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

10. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

E. Use of Estimates

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

F. 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.

G. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The Imperial County Assessor's Office assesses all real and personal property within the County each year.

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The Imperial County Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments on the financial statements were as follows:

<u>Description</u>	<u>Balance</u>
Cash and cash equivalents	\$ 4,904,181
Cash and cash equivalents with fiscal agent	554,866
Total	<u>\$ 5,459,047</u>

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments at June 30, 2021, consist of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 100
Demand deposits held with financial institutions	4,904,081
Investments - money market mutual funds	554,866
Total	<u>\$ 5,459,047</u>

Demand Deposits

At June 30, 2021, the carrying amount of the District's demand deposits was \$4,904,181 and the financial institution balance was \$4,955,997. The \$51,916 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured upto \$250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2021, none of the District's bank balance was exposed to custodial credit risk.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments

Investments as of June 30, 2021 consisted of the following:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity
				12 Months or Less
Money market mutual funds	Level 1	N/A	\$ 554,866	\$ 554,866
Total investments			<u>\$ 554,866</u>	<u>\$ 554,866</u>

Authorized Investments and Investment Policy

The District is legally empowered by statute and resolution to invest in money market mutual funds – for funds held with fiscal agent. The District’s investment policy identifies other investment types that are authorized for the District to invest in under the California Government Code.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Credit Risk

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.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District’s investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District’s total investments.

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 3 – ACCOUNTS RECEIVABLE – SERVICES

Accounts receivable – services at June 30, 2021, consist of the following:

<u>Description</u>	<u>June 30, 2021</u>
Accounts receivable – services	\$ 589,640
Allowance for doubtful accounts	<u>(20,000)</u>
Total accounts receivable, net	<u>\$ 569,640</u>

NOTE 4 – CAPITAL ASSETS

At June 30, 2021, fund balances of the District’s governmental funds were classified as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2021</u>
Non-depreciable assets:				
Land	\$ 511,367	\$ -	\$ -	\$ 511,367
Construction-in-progress	91,200	531,065	(608,187)	14,078
Total non-depreciable assets	<u>602,567</u>	<u>531,065</u>	<u>(608,187)</u>	<u>525,445</u>
Depreciable assets:				
Buildings	759,685	-	608,187	1,367,872
Machinery and equipment	229,709	-	-	229,709
Fixtures and furniture	45,075	-	-	45,075
Computer equipment	5,105	-	-	5,105
Total depreciable assets	<u>1,039,574</u>	<u>-</u>	<u>608,187</u>	<u>1,647,761</u>
Accumulated depreciation:				
Buildings	(210,551)	(28,748)	-	(239,299)
Machinery and equipment	(148,227)	(13,677)	-	(161,904)
Fixtures and furniture	(34,768)	(5,253)	-	(40,021)
Computer equipment	(2,899)	(948)	-	(3,847)
Total accumulated depreciation	<u>(396,445)</u>	<u>(48,626)</u>	<u>-</u>	<u>(445,071)</u>
Total depreciable assets, net	<u>643,129</u>	<u>(48,626)</u>	<u>608,187</u>	<u>1,202,690</u>
Total capital assets, net	<u>\$ 1,245,696</u>	<u>\$ 482,439</u>	<u>\$ -</u>	<u>\$ 1,728,135</u>

Depreciation expense was charged to governmental activities as follows:

Parks and recreation	<u>\$ 48,626</u>
Total	<u>\$ 48,626</u>

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 4 – CAPITAL ASSETS (continued)

At June 30, 2021, fund balances of the District’s enterprise funds were classified as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2021</u>
Non-depreciable assets:				
Land	\$ 512,276	\$ -	\$ -	\$ 512,276
Construction-in-progress	-	-	-	-
Total non-depreciable assets	<u>512,276</u>	<u>-</u>	<u>-</u>	<u>512,276</u>
Depreciable assets:				
Structures and improvements	582,652	51,231	-	633,883
Machinery and equipment	684,206	4,647	-	688,853
Infrastructure	48,622,788	155,161	-	48,777,949
Computer equipment	95,711	-	-	95,711
Total depreciable assets	<u>49,985,357</u>	<u>211,039</u>	<u>-</u>	<u>50,196,396</u>
Accumulated depreciation:				
Structures and improvements	(294,348)	(60,780)	-	(355,128)
Machinery and equipment	(409,853)	(44,699)	-	(454,552)
Infrastructure	(15,411,549)	(1,425,590)	-	(16,837,139)
Computer equipment	(73,576)	(8,179)	-	(81,755)
Total accumulated depreciation	<u>(16,189,326)</u>	<u>(1,539,248)</u>	<u>-</u>	<u>(17,728,574)</u>
Total depreciable assets, net	<u>33,796,031</u>	<u>(1,328,209)</u>	<u>-</u>	<u>32,467,822</u>
Total capital assets, net	<u>\$ 34,308,307</u>	<u>\$ (1,328,209)</u>	<u>\$ -</u>	<u>\$ 32,980,098</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 763,122
Wastewater	<u>776,126</u>
Total	<u>\$ 1,539,248</u>

NOTE 5 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually. The changes to the compensated absences balance at June 30, 2021 were as follows:

<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 155,672	\$ 102,614	\$ (60,992)	\$ 197,294	\$ 117,294	\$ 80,000

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 6 – LONG TERM DEBT

Changes in long-term debt amounts for the fiscal year ended June 30, 2021 were as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2021</u>
Business-type activities:				
Water fund:				
2009 U.S.D.A. Certificates of Participation	\$ 2,810,000	\$ -	\$ (90,000)	\$ 2,720,000
2015 SRF Water Treatment Improvement Loan	4,530,500	-	(161,802)	4,368,698
Wastewater fund:				
2012 SRF Wastewater Treatment Expansion Loan	4,316,141	-	(167,837)	4,148,304
Total	11,656,641	<u>\$ -</u>	<u>\$ (419,639)</u>	11,237,002
Less: current portion due	<u>(419,639)</u>			<u>(421,317)</u>
Long-term portion due	<u>\$ 11,237,002</u>			<u>\$ 10,815,685</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, 2021, was \$2,720,000. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 90,000	\$ 71,400	\$ 161,400
2023	90,000	69,038	159,038
2024	90,000	66,675	156,675
2025	90,000	64,313	154,313
2026	90,000	61,950	151,950
2027-2031	470,000	274,050	744,050
2032-2036	500,000	210,000	710,000
2037-2041	500,000	144,375	644,375
2042-2046	500,000	78,750	578,750
2047-2049	300,000	15,750	315,750
Total	2,720,000	<u>\$ 1,056,301</u>	<u>\$ 3,776,301</u>
Less: Current	<u>(90,000)</u>		
Long-term	<u>\$ 2,630,000</u>		

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 - LONG TERM DEBT (Continued)

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, 2021, was \$4,368,698. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 161,802	\$ -	\$ 161,802
2023	161,802	-	161,802
2024	161,802	-	161,802
2025	161,802	-	161,802
2026	161,802	-	161,802
2027-2031	809,010	-	809,010
2032-2036	809,010	-	809,010
2037-2041	809,010	-	809,010
2042-2046	809,010	-	809,010
2047-2048	323,648	-	323,648
Total	4,368,698	\$ -	\$ 4,368,698
Less: Current	(161,802)		
Long-term	<u>\$ 4,206,896</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 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 \$4,148,304. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	176,398	34,600	210,998
2027-2031	908,806	146,185	1,054,991
2032-2036	955,164	99,827	1,054,991
2037-2041	1,003,888	51,103	1,054,991
2042-2043	415,749	6,247	421,996
Total	4,148,304	\$ 493,655	\$ 4,641,959
Less: Current	(169,515)		
Long-term	<u>\$ 3,978,789</u>		

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 7 – PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2021</u>
Pension related deferred outflows	\$ 260,176
Net pension liability	862,916
Pension related deferred inflows	48,845

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	On or after <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates	10.823%	6.985%

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 7 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2020 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2020 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	7	5	12
Transferred and terminated members	7	3	10
Retired members and beneficiaries	8	-	8
Total plan members	22	8	30

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS 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 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. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

Contributions

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 7 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contributions for the year ended June 30, 2021, (Measurement Date June 30, 2020) were as follows:

Contribution Type	Miscellaneous Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	\$ 112,580	\$ 23,534	\$ 136,114
Contributions – members	38,176	18,711	56,887
Total contributions	\$ 150,756	\$ 42,245	\$ 193,001

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

Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the year ended June 30, 2020, measurement date was as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2019 (Measurement Date)	\$ 4,127,371	\$ 3,353,727	\$ 773,644
Balance as of June 30, 2020 (Measurement Date)	\$ 4,444,411	\$ 3,581,495	\$ 862,916
Change in Plan Net Pension Liability	\$ 317,040	\$ 227,768	\$ 89,272

The District's proportionate share percentage of the net pension liability for the June 30, 2020, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
Measurement Date	June 30, 2020	June 30, 2019	
Percentage of Risk Pool Net Pension Liability	0.020458%	0.019319%	0.001139%
Percentage of Plan (PERF C) Net Pension Liability	0.007931%	0.007550%	0.000381%

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 7 – PENSION PLAN (continued)

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

For the year ended June 30, 2021, the District recognized pension expense of \$223,297. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 136,114	\$ -
Difference between actual and proportionate share of employer contributions	-	(42,690)
Adjustment due to differences in proportions	53,960	-
Differences between expected and actual experience	44,469	-
Differences between projected and actual earnings on pension plan investments	25,634	-
Changes in assumptions	-	(6,155)
Total Deferred Outflows/(Inflows) of Resources	\$ 260,177	\$ (48,845)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of \$136,114 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 a reduction to pension expense as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 18,203
2023	25,495
2024	19,225
2025	12,295
Total	\$ 75,218

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 7 – PENSION PLAN (continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2020, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 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. The table below reflects long-term expected real rate of return by asset class.

Investment Type ¹	New Strategic Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	0.92%
	<u>100.0%</u>		

¹ In the CalPERS's ACFR, 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.

² An expected inflation rate-of-return of 2.5% is used for years 1-10.

³ An expected inflation rate-of-return of 2.9% is used for years 11+.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 7 – PENSION PLAN (continued)

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

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.

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
6.15%	Rate 7.15%	8.15%
\$ 1,454,358	\$ 862,916	\$ 374,225

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2020, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2021.

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

<u>Description</u>	<u>Amount</u>
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 1,037,721
Capital assets – being depreciated, net	33,670,511
Capital lease payable – current portion	(421,317)
Capital lease payable – long-term portion	<u>(10,815,685)</u>
Total net investment in capital assets	<u>\$ 23,471,230</u>

NOTE 9 – FUND BALANCE

A detailed schedule of fund balances and their funding composition at June 30, 2021 is as follows:

<u>Description</u>	<u>General Government</u>
Assigned:	
Compensated absences	\$ 21,632
Unassigned	<u>694,040</u>
Total fund balance	<u>\$ 715,672</u>

NOTE 10 – INTERFUND TRANSACTIONS

Transfers To/From Other Funds

Interfund transfers for the year ended June 30, 2021, 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 as follows:

<u>Fund</u>	<u>Transfer In(Out)</u>
Parks & Rec	\$ 48,828
Wastewater	<u>(48,828)</u>
Total	<u>\$ -</u>

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Further information about the SDRMA is as follows:

A. Entity	SDRMA
B. Purpose	To provide risk financing and risk management services to California public agencies
C. Participants	As of June 30, 2020 – 505 member agencies
D. Governing board	Seven representatives employed by members
E. District payments for FY 2020:	
Property/Liability policy	\$97,302
Workers' compensation policy	\$14,391
F. Condensed financial information	June 30, 2020

Statement of net position:	June 30, 2020
Total assets	<u>\$ 130,676,871</u>
Deferred outflows	<u>595,599</u>
Total liabilities	<u>70,083,643</u>
Deferred inflows	<u>246,193</u>
Net position	<u><u>\$ 60,942,634</u></u>
Statement of revenues, expenses and changes in net position:	
Total revenues	\$ 82,459,850
Total expenses	<u>(77,881,779)</u>
Change in net position	4,578,071
Beginning - net position	<u>56,364,563</u>
Ending - net position	<u><u>\$ 60,942,634</u></u>

G. Member agencies share of year-end financial position	Not Calculated
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HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 11 – RISK MANAGEMENT (continued)

At June 30, 2021, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials' personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2021, 2020 and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2021, 2020 and 2019.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 15, 2022, the date which the financial statements were available to be issued.

Required Supplementary Information

HEBER PUBLIC UTILITY DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes	\$ 440,000	\$ 444,238	\$ 4,238
Charges for services	89,000	108,315	19,315
Grants and contributions	2,000	117,500	115,500
Other revenues	5,200	3,568	(1,632)
Total revenues	<u>536,200</u>	<u>673,621</u>	<u>137,421</u>
Expenditures:			
Current:			
Park maintenance and other expenses	505,000	437,716	67,284
Capital outlay	40,500	531,065	(490,565)
Total expenditures	<u>545,500</u>	<u>968,781</u>	<u>(423,281)</u>
Revenues over(under) expenditures	(9,300)	(295,160)	(285,860)
Other financing sources(uses):			
Transfers in(out)	48,900	48,828	(72)
Total other financing sources(uses)	<u>48,900</u>	<u>48,828</u>	<u>(72)</u>
Change in fund balance	<u>\$ 39,600</u>	<u>(246,332)</u>	<u>\$ (285,932)</u>
FUND BALANCES:			
Beginning of year		<u>962,004</u>	
End of year		<u>\$ 715,672</u>	

HEBER PUBLIC UTILITY DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.00126%	\$ 313,558	\$ 745,373	42.07%	87.25%
June 30, 2015	0.01627%	446,488	745,373	59.90%	83.52%
June 30, 2016	0.00715%	618,291	760,005	81.35%	74.06%
June 30, 2017	0.00735%	728,493	764,649	95.27%	73.31%
June 30, 2018	0.00720%	693,869	775,142	89.52%	81.76%
June 30, 2019	0.00755%	773,644	787,336	98.26%	81.26%
June 30, 2020	0.00793%	862,916	682,572	126.42%	80.58%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and 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, 2015, 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 significant changes in assumptions.

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

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only six years are shown.

HEBER PUBLIC UTILITY DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 83,218	\$ (83,218)	\$ -	\$ 745,373	11.16%
June 30, 2016	96,505	(96,505)	-	760,005	12.70%
June 30, 2017	102,345	(102,345)	-	764,649	13.38%
June 30, 2018	104,690	(104,690)	-	775,142	13.51%
June 30, 2019	114,899	(114,899)	-	787,336	14.59%
June 30, 2020	121,496	(121,496)	-	682,572	17.80%
June 30, 2021	136,114	(136,114)	-	751,572	18.11%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2012	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2015	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2016	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2018	Entry Age	Market Value	2.50%	7.15%

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment expense, including inflation

Retirement Age

50 years (2%@55 and 2%@60), 52 years (2%@62)

Mortality

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 measurement date year of implementation; therefore, only six years are shown.

Other Independent Auditors' Report



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

Board of Directors
Heber Public Utility District
Heber, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Heber Public Utility District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Murrieta, California
February 15, 2022