

HEBER PUBLIC UTILITY DISTRICT
Presentation to the Board of Directors
For the Fiscal Year Ended
June 30, 2024

NIGRO & NIGRO^{PC}



SCOPE OF WORK

Perform Audit Testwork of the Entity's Annual Financial Statements/Report

Report on the Entity's internal control over financial reporting and on compliance in accordance with Government Auditing Standards

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

1. Form and express an opinion about whether the Annual Financial Statements results, that have been prepared by management, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
2. Our responsibility is to plan and perform the audit to obtain **reasonable assurance (not absolute assurance)** about whether the Annual Financial Statements are free of material misstatements.
3. We are to consider the Entity's internal controls and segregations of duties over accounting procedures and financial reporting as we perform our audit testwork. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

AUDIT RESULTS

An Auditor's **Unmodified Opinion** has been issued on the Annual Financial Statements.

- The Annual Financial Statements are fairly presented in all material respects.
- The adopted significant accounting policies have been consistently applied.
- Estimates are considered reasonable for Depreciation and pension expenses.
- Required disclosures are properly reflected in the Annual Financial Statements.

AU-C 265 – Communicating Internal Control Related Matters Identified in an Audit

No Material Issues Arose to be Reported to the Governing Board/Management

Any Minor Issues Were Discussed Orally and Corrected by Management

How Do We Make You Better?

Best Practice Solutions Were Conveyed to Management – That's the Audit ROI

Heber Public Utility District – Governmental Funds

Dashboard – Audited Financial Statements

June 30, 2024 vs 2023

Revenues & Expenses	2024	2023	Variance
Operating Revenues:			
Parks – Charges for services	\$ 56,433	\$ 123,555	\$ (67,122)
Parks – Grant revenues	200,000	181,468	18,532
Parks – Other revenues	4,243	2,289	1,954
			(46,636)
Non-Operating Revenues:			
Property taxes 3.5%	256,782	454,207	(197,425)
Transfer In	272,574	48,828	223,746
Investment earnings	41,900	913	40,987
Total Revenues	831,932	811,260	20,672
Operating Expenses:			
Parks – Salaries & wages	184,225	178,770	5,455
Parks – Employee benefits	143,729	122,894	20,835
Parks – Materials and services	234,456	294,780	(60,324)
Operating expenses before depr.	562,410	596,444	(34,034)
Depreciation expense	82,194	75,029	7,165
Total Expenses	644,604	671,473	(26,869)
Change in Revenues & Expenses	\$ 187,328	\$ 139,787	\$ 47,541

Capital Outlay:

Capital Asset Additions	\$ (846,770)	\$ (414,617)	\$ (432,153)
Depreciation Expense	82,194	75,029	7,165
Change in Capital Expense	\$ (764,576)	\$ (339,588)	\$ (424,988)

Cash & Investments	\$ 560,335	\$ 585,075	\$ (24,740)
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Quick Summary:

Change in Revenues & Expenses	\$ 187,328		
Change in Capital Expense	(764,576)	Use of cash	
Change in Accounts Receivable	57,233	Change in cash	
Change in Accounts Payable	155,600	Change in cash	
Change in Deferred Revenue	326,000	Change in cash	
Change in Comp Abs	(3,102)	Change in cash	
Change in Pension Expense	19,633	Change in cash	
Change in Cash & Investments	\$ (21,884)	Approximately	\$ 2,856

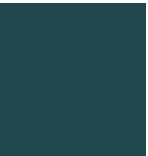

Investment Earnings to Portfolio	7.32%
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Heber Public Utility District – Enterprise Funds

Dashboard – Audited Financial Statements

June 30, 2024 vs 2023

Revenues & Expenses	2024	2023	Variance
Operating Revenues:			
Water – Charges for services	\$ 1,795,051	\$ 1,741,941	\$ 53,110
Sewer – Charges for services	1,404,554	1,394,790	9,764
Solid Waste – Charges for services	674,180	595,863	78,317
			141,191
Non-Operating Revenues:			
Investment earnings	167,602	4,101	163,501
Other revenue	56,350	46,200	10,150
Transfers to Park Fund	(272,574)	(48,828)	(223,746)
Capital Contributions			
Water – Capacity Fees and Capital Grants	-	78,119	(78,119)
Sewer – Capacity Fees	-	-	-
Total Revenues	3,825,163	3,812,186	12,977
Operating Expenses:			
Water – Salaries and wages	476,282	451,085	25,197
Water – Employee benefits	242,248	252,071	(9,823)
Water – Materials and services	684,012	658,070	25,942
Sewer – Salaries and wages	378,097	404,949	(26,852)
Sewer – Employee benefits	265,284	255,971	9,313
Sewer – Materials and services	536,225	483,857	52,368
Solid Waste – Salaries and wages	20,087	20,933	(846)
Solid Waste – Employee benefits	15,570	16,087	(517)
Solid Waste – Materials and services	617,562	541,382	76,180
Operating expenses before depr.	3,235,367	3,084,405	150,962
Depreciation expense	1,595,241	1,491,627	103,614
Total Operating Expenses	4,830,608	4,576,032	254,576
Non-Operating Expenses:			
Interest expense	114,751	98,626	16,125
Total Expenses	4,945,359	4,674,658	270,701
Change in Revenues & Expenses	\$ (1,120,196)	\$ (862,472)	\$ (257,724)
Capital Outlay:			
Capital Asset Additions	\$ (428,899)	\$ (1,069,309)	\$ 640,410
Depreciation Expense	1,595,241	1,491,627	103,614
Change in Capital Expense	\$ 1,166,342	\$ 422,318	\$ 744,024
Debt Service:			
Principal Paid	\$ (343,823)	\$ (503,914)	\$ 160,091
Cash & Investments	\$ 4,486,565	\$ 3,876,267	\$ 610,298
Quick Summary:			
Change in Revenues & Expenses	\$ (1,120,196)		
Change in Capital Expense	1,166,342	Use of cash	
Debt Service – Principal Paid	(343,823)	Use of cash	
Change in Unearned Revenue	798,636	Use of cash	
Change in Unearned Revenue	115,754	Use of cash	
Change in Cash & Investments	\$ 616,713	Approximately	\$ 6,415
Investment Earnings to Portfolio	4.01%		



HEBER PUBLIC UTILITY DISTRICT
Report to the Board of Directors
For the Fiscal Year Ended
June 30, 2024

NIGRO & NIGRO^{PC}

HEBER PUBLIC UTILITY DISTRICT
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For the Fiscal Year Ended June 30, 2024

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Board of Directors
Heber Public Utility District
Heber, California

We are pleased to present this report related to our audit of the financial statements of the Heber Public Utility District (District) as of and for the year ended June 30, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,

Nigro & Nigro, PC
Murrieta, California
February 20, 2025

Required Communications

HEBER PUBLIC UTILITY DISTRICT
Required Communications
For the Fiscal Year Ended June 30, 2024

Generally accepted auditing standards (AU-C 260, *The Auditor’s Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p>Our Responsibilities with Regard to the Financial Statement Audit</p>	<p>Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 1, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<p>Overview of the Planned Scope and Timing of the Financial Statement Audit</p>	<p>An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork.</p>
<p>Accounting Policies and Practices</p>	<p>Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted.</p> <p>Adoption of, or Change in, Significant Accounting Policies or Their Application Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management’s Judgments and Accounting Estimates Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.</p>
<p>Audit Adjustments</p>	<p>Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries.</p>
<p>Uncorrected Misstatements</p>	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>

HEBER PUBLIC UTILITY DISTRICT
Required Communications
For the Fiscal Year Ended June 30, 2024

Area	Comments
Discussions With Management	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	No significant difficulties were encountered in performing our audit.
Required Supplementary Information	<p>We applied certain limited procedures to the:</p> <ol style="list-style-type: none"> 1. Management's Discussion and Analysis 2. Budget to Actual Comparison 3. Required Pension Plan Disclosures <p>Which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>

This information is intended solely for the information and use of Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Summary of Adjusting Journal Entries

HEBER PUBLIC UTILITY DISTRICT
Summary of Adjusting Journal Entries
For the Fiscal Year Ended June 30, 2020

See Attached

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To adjust LAIF FMV			
105-1021	LAIF FMV	9,127.81	
200-1021	LAIF FMV	18,255.62	
300-1021	LAIF FMV	18,255.62	
105-4702FMV	LAIF FMV ADJUSTMENT		9,127.81
200-4702FMV	LAIF FMV ADJUSTMENT		18,255.62
300-4702FMV	LAIF FMV ADJUSTMENT		18,255.62
Total		45,639.05	45,639.05
Adjusting Journal Entries JE # 2			
To adjust Accrued Leave			
105-2104	ACCRUED VACATION	5,429.50	
105-5108	COMP-TIME	1,984.89	
105-5110	SICK LEAVE	341.77	
200-2104	ACCRUED VACATION	28,563.69	
200-5108	COMP-TIME	13,292.78	
200-5110	SICK LEAVE	52,296.15	
300-2103	ACCRUED SICK LIEAVE	45,659.64	
300-2104	ACCRUED VACATION	17,517.89	
300-5108	COMP-TIME	17,238.55	
105-2103	ACCRUED SICK LEAVE		341.77
105-2105	ACCRUED COMP. ABSENCES		1,005.29
105-2106	ACCRUED ADMIN LEAVE GM		979.60
105-5112	VACATION		5,429.50
200-2103	ACCRUED SICK LEAVE		52,296.15
200-2105	ACCRUED COMP. ABSENCES		8,884.58
200-2106	ACCRUED ADMIN LEAVE GM		4,408.20
200-5112	VACATION		28,563.69
300-2105	ACCRUED COMP. ABSENCES		12,830.35
300-2106	ACCRUED ADMIN LEAVE GM		4,408.20
300-5110	SICK LEAVE		45,659.64
300-5112	VACATION		17,517.89
Total		182,324.86	182,324.86

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 3			
To book GASB 87			
200-2702	DIR - LEASE	9,505.00	
200-4761	LEASE REVENUE ADJUSTMENT	795.00	
300-2702	DIR - LEASE	9,505.00	
300-4761	LEASE REVENUE ADJUSTMENT	795.00	
200-1241	LEASE RECEIVABLE		9,981.00
200-4762	LEASE INTEREST REVENUE		319.00
300-1241	LEASE RECEIVABLE		9,981.00
300-4762	LEASE INTEREST REVENUE		319.00
Total		20,600.00	20,600.00
Adjusting Journal Entries JE # 4			
To accrue interest receivable			
105-1205	INTEREST RECEIVABLE	2,845.69	
200-1205	INTEREST RECEIVABLE	5,691.36	
300-1205	INTEREST RECEIVABLE	5,691.36	
105-4702	INTEREST EARNED		2,845.69
200-4702	INTEREST EARNED		5,691.36
300-4702	INTEREST EARNED		5,691.36
Total		14,228.41	14,228.41
Adjusting Journal Entries JE # 5			
To True up Notes receivable from IRS			
200-5401	GENERAL LIABILITY	7,044.91	
200-1220	NOTES RECEIVABLE		7,044.91
Total		7,044.91	7,044.91
Adjusting Journal Entries JE # 6			
To expense AR deemed uncollectible			
200-5604	BAD DEBT EXPENSE	41,388.92	
300-5604	BAD DEBT EXPENSE	5,728.00	
200-1204	ACCT RECEIVABLE-ACCR WATER		41,388.92
300-1200	ACCOUNTS RECEIVABLE		5,728.00
Total		47,116.92	47,116.92
Adjusting Journal Entries JE # 7			
To reclass Property tax revenue			
105-4010	PROPERTY TAXES	1,084.47	
105-4011	H O P T - Homeowners CA TR		1,084.47
Total		1,084.47	1,084.47

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 8			
To record pension activity			
105-2701	DEFERRED INFLOW	3,548.68	
105-5125	PERS RETIREMENT EXPENSE	19,631.70	
200-2701	DEFERRED INFLOW	10,953.33	
200-5125	PERS RETIREMENT EXPENSE	60,595.07	
300-2701	DEFERRED INFLOW	10,923.63	
300-5125	PERS RETIREMENT EXPENSE	60,430.77	
400-2701	DEFERRED INFLOW	760.37	
400-5125	PERS RETIREMENT EXPENSE	4,206.44	
105-1700	DEFERRED OUTFLOWS		5,034.50
105-2700	PENSION LIABILITY		18,145.88
200-1700	DEFERRED OUTFLOWS		15,539.45
200-2700	PENSION LIABILITY		56,008.95
300-1700	DEFERRED OUTFLOWS		15,497.31
300-2700	PENSION LIABILITY		55,857.08
400-1700	DEFERRED OUTFLOWS		1,078.73
400-2700	PENSION LIABILITY		3,888.09
Total		171,049.99	171,049.99
Adjusting Journal Entries JE # 9			
To True up fiduciary fund AR & Revenue balances.			
600-4015	MELLO-ROOS CFD2005-1	108,331.00	
600-1270	DUE FROM PROPERTY OWNERS		108,331.00
Total		108,331.00	108,331.00
	Total Adjusting Journal Entries	597,419.61	597,419.61

**HEBER PUBLIC UTILITY DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2024**

NIGRO & NIGRO^{PC}

HEBER PUBLIC UTILITY DISTRICT
For the Fiscal Year Ended June 30, 2024
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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Heber Public Utility District
Heber, California

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Heber Public Utility District (District) as of and for the year ended June 30, 2024, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of the Proportionate Share of the Net Pension Liability and the 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 20, 2025, 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 20, 2025

HEBER PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

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, 2024. 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 3.42%, or \$932,878 from the prior year's net position of \$27,267,494 to \$26,334,616.
- Total program and general revenues increased by 2.46%, or \$111,765 from \$4,545,330 to \$4,657,095, from the prior year, primarily due to an increase in charges for services.
- Total expenses for the District's operations increased by 4.56% or \$243,842 from \$5,346,131 to \$5,589,973, from the prior year, primarily due to the increase in operations and depreciation 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:

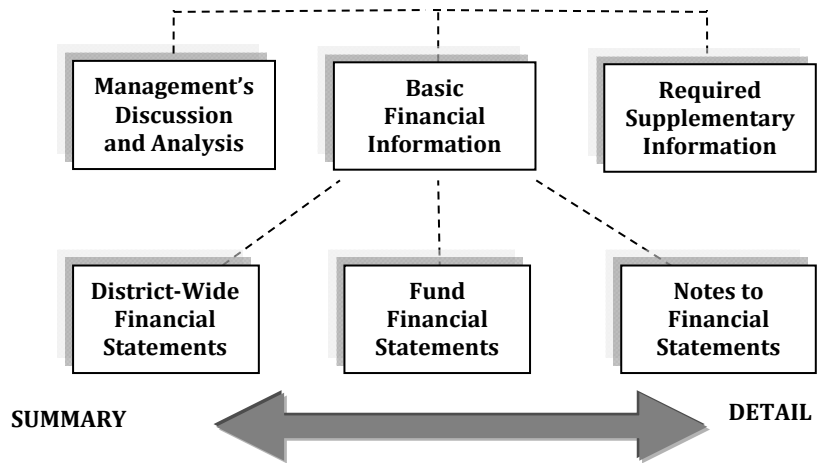
- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *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, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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.

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



HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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, 2024

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, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund 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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
ASSETS:						
Current assets	\$ 596,574	\$ 675,701	\$ 5,068,453	\$ 4,464,772	\$ 5,665,027	\$ 5,140,473
Non-current assets	-	-	-	20,989	-	20,989
Capital assets, net	2,899,932	2,135,357	30,255,263	31,421,605	33,155,195	33,556,962
Total assets	3,496,506	2,811,058	35,323,716	35,907,366	38,820,222	38,718,424
DEFERRED OUTFLOWS OF RESOURCES	97,895	102,930	508,492	540,607	606,387	643,537
LIABILITIES:						
Current liabilities	559,115	80,618	1,598,773	741,995	2,157,888	822,613
Non-current liabilities	179,165	161,019	10,665,395	10,976,095	10,844,560	11,137,114
Total liabilities	738,280	241,637	12,264,168	11,718,090	13,002,448	11,959,727
DEFERRED INFLOWS OF RESOURCES	8,192	11,740	81,353	123,000	89,545	134,740
NET POSITION						
Net investment in capital assets	2,899,932	2,135,357	20,287,315	21,109,834	23,187,247	23,245,191
Unrestricted	(52,003)	525,254	3,199,372	3,497,049	3,147,369	4,022,303
Total net position	\$ 2,847,929	\$ 2,660,611	\$ 23,486,687	\$ 24,606,883	\$ 26,334,616	\$ 27,267,494

At the end of fiscal year 2024, the District shows a positive balance in its unrestricted net position of \$3,147,369.

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
REVENUES:						
Program revenues	\$ 256,433	\$ 305,023	\$ 3,873,785	\$ 3,732,594	\$ 4,130,218	\$ 4,037,617
General revenues and transfers	575,499	506,237	(48,622)	1,476	526,877	507,713
Total revenues	831,932	811,260	3,825,163	3,734,070	4,657,095	4,545,330
EXPENSES:						
Operations	562,420	596,444	3,235,367	3,084,405	3,797,787	3,680,849
Depreciation expense	82,194	75,029	1,595,241	1,491,627	1,677,435	1,566,656
Interest expense	-	-	114,751	98,626	114,751	98,626
Total expenses	644,614	671,473	4,945,359	4,674,658	5,589,973	5,346,131
Change in net position	187,318	139,787	(1,120,196)	(940,588)	(932,878)	(800,801)
Capital contributions	-	-	-	78,119	-	78,119
Change in net position	187,318	139,787	(1,120,196)	(862,469)	(932,878)	(722,682)
NET POSITION:						
Beginning of year	2,660,611	2,520,824	24,606,883	25,469,352	27,267,494	27,990,176
End of year	\$ 2,847,929	\$ 2,660,611	\$ 23,486,687	\$ 24,606,883	\$ 26,334,616	\$ 27,267,494

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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 3.42%, or \$932,878 from the prior year's net position of \$27,267,494 to \$26,334,616.

Total program and general revenues increased by 2.46%, or \$111,765 from \$4,545,330 to \$4,657,095 from the prior year, primarily due to an increase in charges for services.

Total expenses for the District's operations increased by 4.56% or \$243,842 from \$5,346,131 to \$5,589,973 from the prior year, primarily due to the increase in operations and depreciation 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, 2024, the District reported a total fund balance of \$59,963. An amount of \$37,459 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 \$758,859 less than actual. The variance was due to actual capital outlay expenses being \$805,570 more than budgeted. Actual revenues were less than the anticipated budget by \$14,742.

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

CAPITAL ASSET ADMINISTRATION

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

	<u>Balance</u> <u>June 30, 2024</u>	<u>Balance</u> <u>June 30, 2023</u>
Non-depreciable capital assets	\$ 2,074,351	\$ 1,324,548
Depreciable capital assets	<u>54,088,929</u>	<u>53,563,064</u>
Total capital assets	56,163,280	54,887,612
Accumulated depreciation	<u>(23,008,085)</u>	<u>(21,330,650)</u>
Total capital assets, net	<u>\$ 33,155,195</u>	<u>\$ 33,556,962</u>

At the end of fiscal year 2024, the District's net investment in capital assets amounted to \$33,155,195 (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 \$1,275,668.

See Note 5 for further information on the District's capital assets.

DEBT ADMINISTRATION

Table A-4: Long-term Debt

	<u>Balance</u> <u>June 30, 2024</u>	<u>Balance</u> <u>June 30, 2023</u>
Long-term debt	<u>\$ 9,967,948</u>	<u>\$ 10,311,771</u>

At the end of fiscal year 2024, the District paid down its long-term debt by \$343,823. See Note 7 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, 2024

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (Note 2)	\$ 560,335	\$ 4,486,565	\$ 5,046,900
Accrued interest receivable	9,482	37,928	47,410
Accounts receivable – services, net (Note 3)	26,757	515,452	542,209
Accounts receivable – other	-	7,519	7,519
Lease receivable (Note 4)	-	20,989	20,989
Total current assets	596,574	5,068,453	5,665,027
Non-current assets:			
Capital assets – not being depreciated (Note 5)	1,557,667	516,684	2,074,351
Capital assets – being depreciated, net (Note 5)	1,342,265	29,738,579	31,080,844
Total non-current assets	2,899,932	30,255,263	33,155,195
Total assets	3,496,506	35,323,716	38,820,222
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources (Note 8)	97,895	508,492	606,387
Total deferred outflows of resources	97,895	508,492	606,387
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	190,121	155,922	346,043
Customer deposits and unearned revenue	346,490	899,396	1,245,886
Accrued interest payable	-	9,772	9,772
Compensated absences (Note 6)	22,504	107,229	129,733
Long-term debt due within a year (Note 7)	-	426,454	426,454
Total current liabilities	559,115	1,598,773	2,157,888
Non-current liabilities:			
Compensated absences (Note 6)	-	90,000	90,000
Long-term debt due in more than a year (Note 7)	-	9,541,494	9,541,494
Net pension liability (Note 8)	179,165	1,033,901	1,213,066
Total non-current liabilities	179,165	10,665,395	10,844,560
Total liabilities	738,280	12,264,168	13,002,448
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Lease related deferred inflows of resources (Note 4)	-	19,009	19,009
Pension related deferred inflows of resources (Note 8)	8,192	62,344	70,536
Total deferred inflows of resources	8,192	81,353	89,545
<u>NET POSITION</u>			
Net investment in capital assets (Note 9)	2,899,932	20,287,315	23,187,247
Unrestricted	(52,003)	3,199,372	3,147,369
Total net position	\$ 2,847,929	\$ 23,486,687	\$ 26,334,616

HEBER PUBLIC UTILITY DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital and Operating Grants
Primary government:			
Governmental activities:			
Parks and recreation	\$ 644,614	\$ 56,433	\$ 200,000
Total governmental activities	<u>644,614</u>	<u>56,433</u>	<u>200,000</u>
Business-type activities:			
Water	2,252,861	1,795,051	-
Wastewater	2,039,279	1,404,554	-
Solid waste	653,219	674,180	-
Total business-type activities	<u>4,945,359</u>	<u>3,873,785</u>	<u>-</u>
Total primary government	<u>\$ 5,589,973</u>	<u>\$ 3,930,218</u>	<u>\$ 200,000</u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Activities (continued)
For the Fiscal Year Ended June 30, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Parks and recreation	\$ (388,181)	\$ -	\$ (388,181)
Total governmental activities	(388,181)	-	(388,181)
Business-type activities:			
Water	-	(457,810)	(457,810)
Wastewater	-	(634,725)	(634,725)
Solid waste	-	20,961	20,961
Total business-type activities	-	(1,071,574)	(1,071,574)
Total primary government	(388,181)	(1,071,574)	(1,459,755)
General revenues and transfers:			
Property taxes	256,782	-	256,782
Investment earnings	41,900	167,602	209,502
Other revenues	4,243	56,350	60,593
Transfers - operations (Note 11)	272,574	(272,574)	-
Total general revenues and transfers	575,499	(48,622)	526,877
Change in net position	187,318	(1,120,196)	(932,878)
Net position:			
Beginning of year	2,660,611	24,606,883	27,267,494
End of year	\$ 2,847,929	\$ 23,486,687	\$ 26,334,616

HEBER PUBLIC UTILITY DISTRICT
Balance Sheet – Governmental Funds
June 30, 2024

<u>Assets</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 556,385	\$ 3,950	\$ 560,335
Accrued interest receivable	9,482	-	9,482
Accounts receivable – services, net	26,757	-	26,757
Total assets	\$ 592,624	\$ 3,950	\$ 596,574
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 190,121	\$ -	\$ 190,121
Deposits and unearned revenue	346,490	-	346,490
Total liabilities	536,611	-	536,611
Fund balance: (Note 10)			
Assigned	22,504	-	22,504
Unassigned	33,509	3,950	37,459
Total fund balance	56,013	3,950	59,963
Total liabilities and fund balance	\$ 592,624	\$ 3,950	\$ 596,574

HEBER PUBLIC UTILITY DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2024

Total Fund Balances - Total Governmental Funds	<u>\$ 59,963</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.	2,899,932
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	(22,504)
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	97,895
Net pension liability	(179,165)
Deferred inflows of resources	<u>(8,192)</u>
Total adjustments	<u>2,787,966</u>
Net Position of Governmental Activities	<u><u>\$ 2,847,929</u></u>

HEBER PUBLIC UTILITY DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2024*

	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 256,782	\$ -	\$ 256,782
Charges for services	56,433	-	56,433
Grant revenue	200,000	-	200,000
Investment earnings	41,900	-	41,900
Other revenues	4,243	-	4,243
Total revenues	<u>559,358</u>	<u>-</u>	<u>559,358</u>
Expenditures:			
Current:			
Park maintenance and other expenses	545,889	-	545,889
Capital outlay	846,770	-	846,770
Total expenditures	<u>1,392,659</u>	<u>-</u>	<u>1,392,659</u>
Revenues over(under) expenditures	<u>(833,301)</u>	<u>-</u>	<u>(833,301)</u>
Other financing sources(uses):			
Transfers in(out) (Note 11)	272,574	-	272,574
Total other financing sources(uses)	<u>272,574</u>	<u>-</u>	<u>272,574</u>
Change in fund balance	<u>(560,727)</u>	<u>-</u>	<u>(560,727)</u>
Fund balance:			
Beginning of year	616,740	3,950	620,690
End of year	<u>\$ 56,013</u>	<u>\$ 3,950</u>	<u>\$ 59,963</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, 2024

Net Changes in Fund Balance – Total Governmental Funds	<u>\$ (560,727)</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	3,102
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.	(19,633)
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	846,770
Depreciation expense	<u>(82,194)</u>
Total adjustments	<u>748,045</u>
Change in Net Position of Governmental Activities	<u><u>\$ 187,318</u></u>

HEBER PUBLIC UTILITY DISTRICT
Balance Sheets – Proprietary Funds
June 30, 2024

<u>ASSETS</u>	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 2,936,061	\$ 1,427,504	\$ 123,000	\$ 4,486,565
Accrued interest receivable	18,964	18,964	-	37,928
Accounts receivable – services, net	253,624	169,962	91,866	515,452
Accounts receivable – other	7,519	-	-	7,519
Lease receivable	10,495	10,494	-	20,989
Total current assets	3,226,663	1,626,924	214,866	5,068,453
Non-current assets:				
Capital assets – not being depreciated	4,408	512,276	-	516,684
Capital assets – being depreciated, net	18,433,070	11,305,509	-	29,738,579
Total non-current assets	18,437,478	11,817,785	-	30,255,263
Total assets	21,664,141	13,444,709	214,866	35,323,716
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension related deferred outflows of resources	256,058	237,784	14,650	508,492
Total deferred outflows of resources	256,058	237,784	14,650	508,492
Total assets and deferred outflows of resources	\$ 21,920,199	\$ 13,682,493	\$ 229,516	\$ 35,832,208
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 16,780	\$ (9,338)	\$ 148,480	\$ 155,922
Customer deposits and unearned revenue	412,147	478,163	9,086	899,396
Accrued interest payable	5,495	4,277	-	9,772
Compensated absences	102,589	4,640	-	107,229
Long-term debt due within a year	251,802	174,652	-	426,454
Total current liabilities	788,813	652,394	157,566	1,598,773
Non-current liabilities:				
Compensated absences	45,000	45,000	-	90,000
Long-term debt due in more than a year	6,081,489	3,460,005	-	9,541,494
Net pension liability	522,055	486,106	25,740	1,033,901
Total non-current liabilities	6,648,544	3,991,111	25,740	10,665,395
Total liabilities	7,437,357	4,643,505	183,306	12,264,168
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Lease related deferred inflows of resources	9,505	9,504	-	19,009
Pension related deferred inflows of resources	31,904	28,680	1,760	62,344
Total deferred inflows of resources	41,409	38,184	1,760	81,353
<u>NET POSITION</u>				
Net investment in capital assets	12,104,187	8,183,128	-	20,287,315
Unrestricted (Deficit)	2,337,246	817,676	44,450	3,199,372
Total net position	14,441,433	9,000,804	44,450	23,486,687
Total liabilities, deferred inflows of resources and net position	\$ 21,920,199	\$ 13,682,493	\$ 229,516	\$ 35,832,208

HEBER PUBLIC UTILITY DISTRICT*Statements of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2024*

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Operating revenues:				
Water consumption sales	\$ 1,791,876	\$ -	\$ -	\$ 1,791,876
Sewer service charges	-	1,404,554	-	1,404,554
Solid waste collection charges	-	-	674,180	674,180
Other charges for services	3,175	-	-	3,175
Total operating revenues	<u>1,795,051</u>	<u>1,404,554</u>	<u>674,180</u>	<u>3,873,785</u>
Operating expenses:				
Operations	<u>1,402,542</u>	<u>1,179,606</u>	<u>653,219</u>	<u>3,235,367</u>
Total operating expenses	<u>1,402,542</u>	<u>1,179,606</u>	<u>653,219</u>	<u>3,235,367</u>
Operating income before depreciation	392,509	224,948	20,961	638,418
Depreciation expense	<u>(773,644)</u>	<u>(821,597)</u>	-	<u>(1,595,241)</u>
Operating income(loss)	<u>(381,135)</u>	<u>(596,649)</u>	<u>20,961</u>	<u>(956,823)</u>
Non-operating revenue(expense) and transfers:				
Investment earnings	83,801	83,801	-	167,602
Other revenue	40,948	11,531	3,871	56,350
Interest expense	(76,675)	(38,076)	-	(114,751)
Transfers – operations (Note 11)	<u>-</u>	<u>(48,828)</u>	<u>(223,746)</u>	<u>(272,574)</u>
Total non-operating, net and transfers	<u>48,074</u>	<u>8,428</u>	<u>(219,875)</u>	<u>(163,373)</u>
Change in net position	<u>(333,061)</u>	<u>(588,221)</u>	<u>(198,914)</u>	<u>(1,120,196)</u>
Net position:				
Beginning of year	<u>14,774,494</u>	<u>9,589,025</u>	<u>243,364</u>	<u>24,606,883</u>
End of year	<u>\$ 14,441,433</u>	<u>\$ 9,000,804</u>	<u>\$ 44,450</u>	<u>\$ 23,486,687</u>

HEBER PUBLIC UTILITY DISTRICT
Statements of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	<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	\$ 2,229,141	\$ 1,868,895	\$ 669,723	\$ 4,767,759
Cash paid to employees for salaries and wages	(476,282)	(378,097)	(20,087)	(874,466)
Cash paid to vendors and suppliers	(861,484)	(817,007)	(600,677)	(2,279,168)
Net cash provided by operating activities	<u>891,375</u>	<u>673,791</u>	<u>48,959</u>	<u>1,614,125</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(242,222)	(186,677)	-	(428,899)
Transfer (to)from other funds	-	(48,828)	(223,746)	(272,574)
Principal payments on long-term debt	(170,901)	(172,922)	-	(343,823)
Interest payments on long-term debt	(76,675)	(38,076)	-	(114,751)
Net cash used in capital/financing activities	<u>(489,798)</u>	<u>(446,503)</u>	<u>(223,746)</u>	<u>(1,160,047)</u>
Cash flows from investing activities:				
Investment earnings	78,110	78,110	-	156,220
Net cash provided by investing activities	<u>78,110</u>	<u>78,110</u>	<u>-</u>	<u>156,220</u>
Net increase(decrease) in cash	479,687	305,398	(174,787)	610,298
Cash and cash equivalents:				
Beginning of year	2,456,374	1,122,106	297,787	3,876,267
End of year	<u>\$ 2,936,061</u>	<u>\$ 1,427,504</u>	<u>\$ 123,000</u>	<u>\$ 4,486,565</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:				
Operating income(loss)	<u>\$ (381,135)</u>	<u>\$ (596,649)</u>	<u>\$ 20,961</u>	<u>\$ (956,823)</u>
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:				
Depreciation expense	773,644	821,597	-	1,595,241
Other non-operating revenue	40,948	11,531	3,871	56,350
Changes in account balances:				
(Increase)decrease in assets:				
Accounts receivable – services, net	18,304	2,148	(8,471)	11,981
Accounts receivable – other	7,045	-	-	7,045
Lease receivable	9,981	9,981	-	19,962
(Increase)decrease in deferred outflows of res.	15,540	15,497	1,078	32,115
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	(23,341)	(20,484)	28,249	(15,576)
Customer deposits and unearned revenue	357,812	440,681	143	798,636
Compensated absences	37,026	(45,939)	-	(8,913)
Net pension liability	56,009	55,857	3,888	115,754
Increase(decrease) in deferred inflows of res.	(20,458)	(20,429)	(760)	(41,647)
Total adjustments	<u>1,272,510</u>	<u>1,270,440</u>	<u>27,998</u>	<u>2,570,948</u>
Net cash provided by operating activities	<u>\$ 891,375</u>	<u>\$ 673,791</u>	<u>\$ 48,959</u>	<u>\$ 1,614,125</u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Net Position – Fiduciary Fund
June 30, 2024

<u>Assets</u>	<u>Custodial Fund</u>
Current assets:	
Cash and investments (Note 2)	\$ 282,863
Total Current Assets	<u>282,863</u>
Non-current assets:	
Due from property owners	<u>734,113</u>
Total Non-Current Assets	<u>734,113</u>
Total assets	<u>\$ 1,016,976</u>
<u>Liabilities and Net Position</u>	
Current liabilities:	
Accounts payable	\$ 1,976
Bonds payable - current portion	<u>70,000</u>
Total Current Liabilities	<u>71,976</u>
Non-current liabilities:	
Bonds payable - non-current portion	<u>945,000</u>
Total Non-Current Liabilities	<u>945,000</u>
Total liabilities	<u>1,016,976</u>
Net position:	
Total net position	<u>-</u>
Total liabilities and net position	<u>\$ 1,016,976</u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Changes in Net Position – Fiduciary Fund
For the Fiscal Year Ended June 30, 2024

	Custodial Fund
Additions:	
Special assesment taxes	\$ 92,769
Interest income	22,308
Total revenues	115,077
Deductions:	
Services - Heber Meadows	13,699
Administration	30,473
Interest expense	70,905
Total expenses	115,077
Change in net position	-
Net position:	
Beginning of year	-
End of year	\$ -

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2024

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, 2024

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, 2024

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.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

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)

4. Lease receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. 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.

6. 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

7. 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 assets 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 assets 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.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

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. 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.

9. 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.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2022

Measurement Date June 30, 2023

Measurement Period July 1, 2022 to June 30, 2023

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.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

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)

11. 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.

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.

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

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	\$ 577,245
Local Agency Investment Fund (LAIF)	4,469,655
Cash and cash equivalents with fiscal agent – fiduciary	<u>282,863</u>
Total	<u>\$ 5,329,763</u>

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

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 100
Demand deposits held with financial institutions	577,145
Local Agency Investment Fund (LAIF)	4,469,655
Investments – money market mutual funds – fiduciary	<u>282,863</u>
Total	<u>\$ 5,329,763</u>

Demand Deposits

At June 30, 2024, the carrying amount of the District’s demand deposits was \$577,145 and the financial institution balance was \$650,667. The \$73,522 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.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – CASH AND INVESTMENTS (continued)

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, 2024, none of the District's bank balance was exposed to custodial credit risk.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2024, the District held \$4,469,655 in LAIF.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments

Investments as of June 30, 2024 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	\$ 282,863	\$ 282,863
Total investments			<u>\$ 282,863</u>	<u>\$ 282,863</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, 2024

NOTE 3 – ACCOUNTS RECEIVABLE – SERVICES

Accounts receivable – services at June 30, 2024, consist of the following:

<u>Description</u>	<u>June 30, 2024</u>
Accounts receivable – services	\$ 562,209
Allowance for doubtful accounts	<u>(20,000)</u>
Total accounts receivable, net	<u>\$ 542,209</u>

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable for the year ended June 30, 2024 was as follows:

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2024</u>
Cellular antenna site rental	\$ 40,951	\$ -	\$ (19,962)	\$ 20,989

The District is reporting a total lease receivable of \$20,989 and a total related deferred inflows of resources of \$19,009 for the year ending June 30, 2024. Also, the District is reporting total lease revenue of \$19,010 and interest revenue of \$638 related to lease payments received for the years ending June 30, 2024.

The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease revenue to the net present value. In some cases leases contain termination clauses. In these cases the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility. The District's lease is summarized as follows:

Cellular Antenna Site Rental

The District, on July 1, 2020, renewed a continuous lease for 60 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$95,047. As of June 30, 2024, the value of the lease receivable was \$20,989. The lease is required to make monthly fixed payments of \$1,540 for the first 12-month period, then increasing 3.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$19,009 as of June 30, 2024. The District recognized lease revenue of \$19,010 and interest revenue of \$638 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
 June 30, 2024

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Minimum future lease receipts for the next four fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$20,989	\$230	\$21,219
Total	20,989	\$ 230	\$ 21,219
Current	(20,989)		
Long-term	\$ -		

Changes in the District’s deferred inflows of resources related to leases for June 30, 2024 is as follows:

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2024</u>
Cellular antenna site rental	\$ 38,019	\$ -	\$ (19,010)	\$ 19,009

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2024, will be amortized in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Inflows of Resources</u>
2025	\$ 19,009
Total	\$ 19,009

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 5 – CAPITAL ASSETS

At June 30, 2024, fund balances of the District’s governmental funds were classified as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2024</u>
Non-depreciable assets:				
Land	\$ 511,367	\$ -	\$ -	\$ 511,367
Construction-in-progress	300,905	745,395	-	1,046,300
Total non-depreciable assets	<u>812,272</u>	<u>745,395</u>	<u>-</u>	<u>1,557,667</u>
Depreciable assets:				
Buildings	1,501,337	2,250	-	1,503,587
Machinery and equipment	342,117	72,696	-	414,813
Fixtures and furniture	56,454	-	-	56,454
Computer equipment	5,105	26,428	-	31,533
Total depreciable assets	<u>1,905,013</u>	<u>101,374</u>	<u>-</u>	<u>2,006,387</u>
Accumulated depreciation:				
Buildings	(323,392)	(46,393)	-	(369,785)
Machinery and equipment	(208,355)	(28,032)	-	(236,387)
Fixtures and furniture	(45,076)	(1,896)	-	(46,972)
Computer equipment	(5,105)	(5,873)	-	(10,978)
Total accumulated depreciation	<u>(581,928)</u>	<u>(82,194)</u>	<u>-</u>	<u>(664,122)</u>
Total depreciable assets, net	<u>1,323,085</u>	<u>19,180</u>	<u>-</u>	<u>1,342,265</u>
Total capital assets, net	<u>\$ 2,135,357</u>	<u>\$ 764,575</u>	<u>\$ -</u>	<u>\$ 2,899,932</u>

Depreciation expense was charged to governmental activities as follows:

Parks and recreation	<u>\$ 82,194</u>
Total	<u>\$ 82,194</u>

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 5 – CAPITAL ASSETS (continued)

At June 30, 2024, fund balances of the District’s enterprise funds were classified as follows:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2024</u>
Non-depreciable assets:				
Land	\$ 512,276	\$ -	\$ -	\$ 512,276
Construction-in-progress	-	4,408	-	4,408
Total non-depreciable assets	<u>512,276</u>	<u>4,408</u>	<u>-</u>	<u>516,684</u>
Depreciable assets:				
Structures and improvements	832,097	80,316	-	912,413
Machinery and equipment	1,057,831	141,431	-	1,199,262
Infrastructure	49,624,162	186,240	-	49,810,402
Computer equipment	143,961	16,504	-	160,465
Total depreciable assets	<u>51,658,051</u>	<u>424,491</u>	<u>-</u>	<u>52,082,542</u>
Accumulated depreciation:				
Structures and improvements	(448,346)	(57,766)	-	(506,112)
Machinery and equipment	(553,663)	(64,658)	-	(618,321)
Infrastructure	(19,641,353)	(1,467,992)	-	(21,109,345)
Computer equipment	(105,360)	(4,825)	-	(110,185)
Total accumulated depreciation	<u>(20,748,722)</u>	<u>(1,595,241)</u>	<u>-</u>	<u>(22,343,963)</u>
Total depreciable assets, net	<u>30,909,329</u>	<u>(1,170,750)</u>	<u>-</u>	<u>29,738,579</u>
Total capital assets, net	<u>\$ 31,421,605</u>	<u>\$ (1,166,342)</u>	<u>\$ -</u>	<u>\$ 30,255,263</u>

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

Business-type Activities:	
Water	\$ 773,644
Wastewater	821,597
Total	<u>\$ 1,595,241</u>

NOTE 6 – 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, 2024 were as follows:

<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 231,749	\$ 170,193	\$ (182,209)	\$ 219,733	\$ 129,733	\$ 90,000

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 7 – LONG-TERM DEBT

Changes in long-term debt amounts for the fiscal year ended June 30, 2024 were as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2024</u>
Business-type activities:				
Water fund:				
2009 U.S.D.A. Certificates of Participation	\$ 2,540,000	\$ -	\$ (90,000)	\$ 2,450,000
2015 SRF Water Treatment Improvement Loan	3,964,192	-	(80,901)	3,883,291
Wastewater fund:				
2012 SRF Wastewater Treatment Expansion Loan	<u>3,807,579</u>	<u>-</u>	<u>(172,922)</u>	<u>3,634,657</u>
Total	10,311,771	<u>\$ -</u>	<u>\$ (343,823)</u>	9,967,948
Less: current portion due	<u>(343,823)</u>			<u>(426,454)</u>
Long-term portion due	<u>\$ 9,967,948</u>			<u>\$ 9,541,494</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, bearing 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, 2024, was \$2,450,000. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 90,000	\$ 64,313	\$ 154,313
2026	90,000	61,950	151,950
2027	90,000	59,588	149,588
2028	90,000	57,225	147,225
2029	90,000	54,863	144,863
2030-2034	500,000	236,250	736,250
2035-2039	500,000	170,625	670,625
2040-2044	500,000	105,000	605,000
2045-2049	<u>500,000</u>	<u>39,375</u>	<u>539,375</u>
Total	2,450,000	<u>\$ 849,189</u>	<u>\$ 3,299,189</u>
Less: Current	<u>(90,000)</u>		
Long-term	<u>\$ 2,360,000</u>		

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 7 – 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, 2021, \$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, 2024, was \$3,883,291. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 161,802	\$ -	\$ 161,802
2026	161,802	-	161,802
2027	161,802	-	161,802
2028	161,802	-	161,802
2029	161,802	-	161,802
2030-2034	809,010	-	809,010
2035-2039	809,010	-	809,010
2040-2044	809,010	-	809,010
2045-2049	647,251	-	647,251
Total	3,883,291	\$ -	\$ 3,883,291
Less: Current	(161,802)		
Long-term	<u>\$ 3,721,489</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 for 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, 2024, was \$3,634,657. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 174,652	\$ 36,346	\$ 210,998
2026	176,398	34,600	210,998
2027	178,162	32,836	210,998
2028	179,944	31,054	210,998
2029	181,743	29,255	210,998
2030-2034	936,344	118,648	1,054,992
2035-2039	984,107	70,884	1,054,991
2040-2044	823,307	20,685	843,992
Total	3,634,657	\$ 374,308	\$ 4,008,965
Less: Current	(174,652)		
Long-term	<u>\$ 3,460,005</u>		

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSION PLAN

Summary

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

<u>Description</u>	<u>2024</u>
Pension related deferred outflows	\$ 606,387
Net pension liability	1,213,066
Pension related deferred inflows	70,536

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	11.590%	7.470%

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 8 – 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, 2022 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, 2023 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	6	8	14
Transferred and terminated members	6	9	15
Retired members and beneficiaries	10	-	10
Total plan members	22	17	39

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, 2024

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contributions for the year ended June 30, 2024, (Measurement Date June 30, 2023) were as follows:

Contribution Type	Miscellaneous Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	\$ 129,161	\$ 36,194	\$ 165,355
Contributions – members	32,035	36,524	68,559
Total contributions	\$ 161,196	\$ 72,718	\$ 233,914

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

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, 2023, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The District’s 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, 2023, 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, 2022 (Measurement Date)	\$ 5,377,490	\$ 4,298,323	\$ 1,079,166
Balance as of June 30, 2023 (Measurement Date)	\$ 5,834,451	\$ 4,621,384	\$ 1,213,066
Change in Plan Net Pension Liability	\$ 456,961	\$ 323,061	\$ 133,900

The District’s proportionate share percentage of the net pension liability for the June 30, 2023, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Percentage of Risk Pool Net Pension Liability	0.024259%	0.023063%	0.001196%
Percentage of Plan (PERF C) Net Pension Liability	0.009724%	0.009343%	0.000381%

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSION PLAN (continued)

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

For the year ended June 30, 2024, the District recognized pension expense of \$310,219. At June 30, 2024, 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	\$ 165,355	\$ -
Difference between actual and proportionate share of employer contributions	-	(60,923)
Adjustment due to differences in proportions	109,418	-
Differences between expected and actual experience	61,970	(9,613)
Differences between projected and actual earnings on pension plan investments	196,406	-
Changes in assumptions	73,238	-
Total Deferred Outflows/(Inflows) of Resources	\$ 606,387	\$ (70,536)

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 \$165,355 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, 2025. 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>
2025	\$ 128,319
2026	85,405
2027	151,137
2028	5,635
Total	\$ 370,496

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 8 – 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, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022, total pension liability. The June 30, 2023, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

The table below reflects long-term expected real rate of return by asset class.

Asset Class ¹	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

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

² Figures are based on the Asset Liability Management study.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 8 – 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 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results presented 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 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
5.90%	Rate 6.90%	7.90%
\$ 2,002,151	\$ 1,213,066	\$ 563,582

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.

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 9 – 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	\$ 2,074,351
Capital assets – being depreciated, net	31,080,844
Long-term debt payable – current portion	(426,454)
Long-term debt payable – long-term portion	<u>(9,541,494)</u>
Total net investment in capital assets	<u>\$ 23,187,247</u>

NOTE 10 – FUND BALANCE

A detailed schedule of fund balances and their funding composition at June 30, 2024 is as follows:

<u>Description</u>	<u>General Government</u>
Assigned:	
Compensated absences	\$ 22,504
Unassigned	<u>37,459</u>
Total fund balance	<u>\$ 59,963</u>

NOTE 11 – INTERFUND TRANSACTIONS

Transfers To/From Other Funds

Interfund transfers for the year ended June 30, 2024, consisted of a transfer of \$48,828 and \$223,746, respectively, from the Wastewater Fund and the Solid Waste Fund to the Parks and Recreation Fund to compensate for property now held by the Wastewater Fund as follows:

<u>Fund</u>	<u>Transfer In(Out)</u>
Parks & Rec	\$ 272,574
Wastewater	(48,828)
Solid Waste	<u>(223,746)</u>
Total	<u>\$ -</u>

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 12 – 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, 2024 – 503 member agencies	
D. Governing board	Seven representatives employed by members	
E. District payments for FY 2024:		
Property/Liability policy	\$176,579	
Workers' compensation policy	\$25,071	
F. Condensed financial information	June 30, 2024	
Statement of net position:		June 30, 2024
Total assets		<u>\$ 162,354,367</u>
Deferred outflows		<u>1,620,957</u>
Total liabilities		<u>78,404,034</u>
Deferred inflows		<u>384,924</u>
Net position		<u><u>\$ 85,186,366</u></u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 117,816,189
Total expenses		<u>(104,151,026)</u>
Change in net position		13,665,163
Beginning – net position		<u>71,521,203</u>
Ending – net position		<u><u>\$ 85,186,366</u></u>
G. Member agencies share of year-end financial position		Not Calculated

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 12 – RISK MANAGEMENT (continued)

At June 30, 2024, 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 2024, 2023 and 2022. 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, 2024, 2023 and 2022.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided by a combination of debt proceeds, the District's replacement reserves and capital contributions. As of June 30, 2024, the District had approximately \$436,882 in open construction contracts related to projects in construction-in-process.

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 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 20, 2025, the date on which the financial statements were available to be issued.

Required Supplementary Information

HEBER PUBLIC UTILITY DISTRICT*Budgetary Comparison Schedule – Parks and Recreation Fund
For the Fiscal Year Ended June 30, 2024*

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes	\$ 454,200	\$ 256,782	\$ (197,418)
Charges for services	89,700	56,433	(33,267)
Grants and contributions	-	200,000	200,000
Investment earnings	24,000	41,900	17,900
Other revenues	6,200	4,243	(1,957)
Total revenues	<u>574,100</u>	<u>559,358</u>	<u>(14,742)</u>
Expenditures:			
Current:			
Park maintenance and other expenses	592,600	545,889	46,711
Capital outlay	41,200	846,770	(805,570)
Total expenditures	<u>633,800</u>	<u>1,392,659</u>	<u>(758,859)</u>
Revenues over(under) expenditures	(59,700)	(833,301)	(773,601)
Other financing sources(uses):			
Transfers in(out)	48,900	272,574	223,674
Total other financing sources(uses)	<u>48,900</u>	<u>272,574</u>	<u>223,674</u>
Change in fund balance	<u>\$ (10,800)</u>	<u>(560,727)</u>	<u>\$ (549,927)</u>
FUND BALANCES:			
Beginning of year		616,740	
End of year		<u>\$ 56,013</u>	

HEBER PUBLIC UTILITY DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2024*

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%
June 30, 2021	0.00585%	316,118	751,572	42.06%	93.52%
June 30, 2022	0.00934%	1,079,166	808,512	133.48%	79.93%
June 30, 2023	0.00972%	1,213,066	864,050	140.39%	79.21%

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 years June 30, 2018 to June 30, 2022:

There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90% and the inflation rate from 2.5% to 2.3%.

From fiscal year June 30, 2023 to June 30, 2024:

There were no significant changes in assumptions.

HEBER PUBLIC UTILITY DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2024

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%
June 30, 2022	148,771	(148,771)	-	808,512	18.40%
June 30, 2023	166,851	(166,851)	-	864,050	19.31%
June 30, 2024	165,355	(165,355)	-	871,719	18.97%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%
June 30, 2024	June 30, 2022	Entry Age	Fair Value	2.30%	6.90%

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.

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on 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 20, 2025



Heber Public Utility District

1078 Dogwood Rd., Suite 103 · P.O. Box H
Heber, CA 92249
TEL. (760) 482-2440 · FAX (760) 353-9951
www.heber.ca.gov

February 20, 2025

Nigro & Nigro, PC
25220 Hancock Ave., Ste. 400
Murrieta, CA 92562

In connection with the audit of our financial statements as of June 30, 2024, and for the fiscal year then ended, management of the Heber Public Utility District (District) has determined that there are no material pending or threatened litigation claims or assessments against the District that would have a material effect on the District's financial condition as of the date of this letter.

Sincerely,

Name

Title



Heber Public Utility District

1078 Dogwood Rd., Suite 103 · P.O. Box H
Heber, CA 92249
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February 20, 2025

Nigro & Nigro, PC
25220 Hancock Ave., Ste. 400
Murrieta, CA 92562

This representation letter is provided in connection with your audits of the financial statements of the Heber Public Utility District (District), which comprise the respective financial position of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund as of June 30, 2024, and the respective changes in financial position and cash flows, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 20, 2025, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 1, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the District and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements include all fiduciary activities.
- 31) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 32) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 33) Provisions for uncollectible receivables have been properly identified and recorded.
- 34) Revenues are appropriately classified in the statement of revenues, expenses and changes in net position as either operating, non-operating and/or capital contributions.
- 35) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
- 37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 38) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 39) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 40) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not

changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

41) Regarding the non-attest (non-audit) services performed by Nigro & Nigro, we have—

- a) Assumed all management responsibilities.
- b) Designated management members who has (have) suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services.
- e) Ensured that the entity's data and records are complete and received sufficient information to oversee the services.

Name

Title