Heber Public Utility District

REPORT TO BOARD OF DIRECTORS

MEETING DATE: December 17, 2015

FROM: Laura Fischer, General Manager

SUBJECT: FY 2014-15 Audited Financial Statements

ISSUE:
Shall the Board of Directors approve the FY 2014-15 Independent Auditor's Report on the District's Financial Statements?

GENERAL MANAGER'S RECOMMENDATION:
It is recommended that the Board of Directors approve the Independent Auditor's report.

FISCAL IMPACT:
In May of 2014, the HPUD Board authorized a Professional Service Agreement with While Nelson Diehl Evans LLP to prepare the Independent Auditor Report for the next three years. The services performed were completed within the terms of the Agreement.

DISCUSSION:
HPUD's goal in obtaining the Independent Auditor's report is to have a qualified third party express an opinion on the fair presentation of its financial statements and schedules in conformity with generally accepted accounting principles. The audit fieldwork has been completed and final reports must be issued in a timely manner to assure the HPUD meets the reporting deadlines of the State and Federal Government, as well as bond trustees.

Representatives from our audit firm, White Nelson Diehl Evans, will be present at the Board meeting to present the audit and to answer any questions you may have.

CONCLUSION:
Staff recommends that the Board of Directors approve the FY 2014-15 Independent Auditor's Report and direct staff to file the audit to the appropriate governmental agencies and financial institutions.

Respectfully Submitted,

Laura Fischer,
General Manager

Attachment: HPUD 2014-15 Audited Financial Statement (Draft)

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

Board of Directors
Heber Public Utility District
El Centro, California

We have audited the basic financial statements of the governmental activities, the business-type activities, and each major fund of the Heber Public Utility District for the year ended June 30, 2015 and have issued our report thereon dated December 10, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As discussed in Note 1d to the basic financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions, and amendment of GASB Statement No. 27"*, and Statement No. 71, *"Pension Transition for Contribution Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. The result of the implementation of these standards decreased the net position of the governmental activities, business type activities, water, wastewater and solid waste enterprise funds at July 1, 2014 by $51,936, $348,391, $178,253, $163,229 and $6,909, respectively. We noted no transactions entered into by Heber Public Utility District during the year which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

a. The estimated useful lives for capital assets which are based on industry standards.

b. The actuarial estimate of the CalPERS Net Pension Liability and the related deferred inflows and outflows.

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Significant Audit Findings (continued)

Qualitative Aspects of Accounting Practices (continued)

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

a. The disclosure of the net pension liability in Note 7.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Adjustments

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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 auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability, Schedule of Pension Contributions, and Budgetary Comparison Schedules for major funds, 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 no not express an opinion or provide any assurance on the RSI.

Restriction in Use

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

White Nelson Diehl Evans LLP

Carlsbad, California
December 10, 2015

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

Board of Directors
Heber Public Utility District
El Centro, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of Heber Public Utility District as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Heber Public Utility District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heber Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Heber Public Utility District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

Segregation of Duties in the Cash Disbursement Process

During the course of our audit, we noted that a District employee had the ability to set up vendors, sign checks, and post the transaction to the general ledger. We recommend the duties of setting up vendors and check signing be segregated and if not possible, have a second person approve a new vendor before adding them to the list.

Management's Response:

Management will follow your recommendation and will make the following changes in procedures:

1. The Accounts Payable (Bookkeeper) will create all vendors, and the Finance Manager will only review and approve new vendors.
2. The Finance Manager will review invoices and checks, but will only sign checks if there are no other signature authority available.
3. The General Manager will be the first signature authority, if he/she is unavailable, the Finance Manager will be the first signature authority.
4. The District Treasurer will be asked to sign checks weekly. The District Treasurer will be the second signature authority, and if he/she is unavailable the Finance Manager will be the second signature authority.
5. At no time, will the District process checks without two signatures.

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Heber Public Utility District's written responses to the material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

White Nelson Diehl Evans LLP

Carlsbad, California
December 10, 2015

HEBER PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2015

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Heber Public Utility District
El Centro, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Heber Public Utility District, as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Heber Public Utility District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Emphasis of Matter

As discussed in Notes 1d and 10 to the financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. The adoption of these standards required retrospective application resulting in a $51,936 and $348,391 reduction of previously reported net position in the governmental activities and business-type activities, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

White Nelson Diehl Evans LLP

Carlsbad, California
December 10, 2015

Heber Public Utility District
Management's Discussion and Analysis
for the Year Ended June 30, 2015

The discussion and analysis of the financial performance of Heber Public Utility District provides an overview of the District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Users of these financial statements should read this discussion and analysis and the District's basic financial statements following this section to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the 2014-2015 fiscal year by $25,425,686 *(Net Position).* The net position is composed of $22,724,431 invested in capital assets net of related debt, $ 520,990 which is restricted for debt service, and $2,180,265 which is unrestricted.

- As of June 30, 2015, the District's governmental funds reported total ending fund balances of $515,339, an increase of $268,891 in comparison with the prior year.

- At the end of the current fiscal year, the Business-Type Activities assets exceeded its liabilities by $24,116,796, a decrease of $231,958 from the prior year.

- The district adopted Governmental Accounting Standard Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions, and amendment of GASB Statement No. 27"*, and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*.

  The primary objective of GASB 68 is to address the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The District has this type of pension plan for its employees. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures on the District's financial statements. In addition, GASB 68 requires that notes to financial statements include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit (See Note 7). The requirements of this Statement will improve the decision-usefulness of the information in the District's financial reports and will enhance its value for assessing accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

  For the District and most local governments, the recognition of the pension liability on the financial statements is a significant change that adds a new liability comparable to or even greater than the local government's long-term municipal bond obligations. In order to implement Statement No. 68, a prior period adjustment was made to decrease the July 1, 2014 net position of the governmental activities and the business type activities by $51,936 and $348,391, respectively.

Heber Public Utility District
Management's Discussion and Analysis
for the Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements are organized so that readers can understand the Heber Public Utility District as a financial whole or as an entire operating entity. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements.

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets, liabilities, deferred outflows, and deferred inflows, with the difference between the four reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event takes place regardless of when cash is received or paid. Thus, some revenues and expenses reported in this statement are for some items that will only result in cash inflows and outflows in future fiscal years. Both the Statement of Net Position and the Statement of Activities distinguish between activities that are primarily financed with taxes and intergovernmental revenues (governmental activities) and those that are intended to recover all or a significant portion of their costs through user fees and charges for services (business-type activities). The District's governmental activities include parks/retention basins. The business-type activities of the District include the operation of the Water, Wastewater plant and Solid Waste (Trash).

The government-wide financial statements are presented on pages 11, 12 and 13 of this report.

2. Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. A fund is a fiscal and accounting entity designated to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and agency funds.

Governmental funds are used to account for activities that are similar in nature to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of resources at the end of the fiscal year. Such information may be used in evaluating the District's near- term financing requirements and available resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to get a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements are presented on pages 14 through 17 of this report.

2. Fund Financial Statements (Continued)

Enterprise funds are reported as functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the Water, Sewer and Solid Waste (Trash) operations.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary financial statements are presented on pages 18, 19 and 20 of this report.

Agency funds are reported as fiduciary funds and are used to account for assets held on behalf of outside parties. Financial information for the fiduciary funds is not reported in the government-wide financial statements because the resources of these funds are not available to support the District's programs.

The basic agency fund statement of assets and liabilities is presented on page 21.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements.

The notes to the financial statements are presented on pages 22 to 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $25,425,686 (see Table 1) at the close of the current fiscal year.

The portion of the District's net position which is reflected as unrestricted is $2,180,265 an increase of $143,661. The amount of net position in capital assets (e.g., infrastructures, improvements, and construction in progress); less any related outstanding debt used to acquire those assets is $22,724,431. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used and amounts to $520,990. The portion of the restricted net position is the aggregate amount for short lived assets, and debt service reserves.

At the end of the current fiscal year, the District as a whole and for its governmental and business-type activities reported positive balances in net position.

Table 1 – Heber Public Utility District Net Position
June 30, 2015 and 2014

	2015	2014
Current Assets:		
Cash and Investments	$ 2,535,891	$ 2,028,135
Restricted Cash & Cash Equivalents	520,990	466,520
Receivables	435,561	379,807
Notes Receivable	13,255	13,255
Capital Assets	31,010,156	31,788,294
Total Assets	34,515,853	34,676,011
Deferred Outflows of Resources		
Deferred amounts from pension	79,603	-
Total Deferred Outflows of Resources	79,603	-
Current Liabilities		
Current Liabilities	202,377	171,023
Customer Deposit Payable	93,694	78,591
Noncurrent Liabilities		
Net Pension Liability	313,558	
Long-Term Liabilities	8,405,786	8,641,814
Total Liabilities	9,015,415	8,891,428
Deferred Inflows of Resources		
Deferred amounts from pension	154,355	-
Total Deferred Inflows of Resources	154,355	-
Net Position:		
Net investment in capital assets	22,724,431	23,281,459
Restricted for debt service	520,990	466,520
Unrestricted	2,180,265	2,036,604
Total Net Position	$25,425,686	$25,784,583

Table 2 - Heber Public Utility District Changes in Net Position for the Years Ended June 30, 2015 and 2014

	2015	2014
Program revenues:		
Charge for services	$ 3,165,156	$ 3,325,041
Royalties and services	81,381	77,686
General revenues:		
Property tax	466,594	353,388
Other revenue	36,070	45,221
Total revenues	3,749,201	3,801,336
Program expenses:		
General government	282,177	313,024
Water	1,582,375	1,538,150
Wastewater	1,378,881	1,360,158
Solid waste	464,338	464,750
Total expenses	3,707,771	3,676,082
Changes in Net Position:	$ 41,430	$ 125,254

Governmental Activities

Governmental activities increased the District's net position by $273,388 for the year ended June 30, 2015.

Business-type Activities

The Business-type activities decreased the District's net position by $231,958.

a. Depreciation expense for business type activities amounted to $861,358 for the fiscal year.

b. Revenues for service charges amounted to $3,165,156.

Governmental Funds

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2015, The District's governmental funds reported total net fund balances of $515,339. The unassigned fund balance, which is available to meet the District's future 2 capital projects and future obligations, is $507,642.

The District's management may also designate unassigned fund balance to a particular function, project, or activity. However, unassigned fund balance is available for appropriations at any time.

Revenues for governmental functions totaled $555,565 at June 30, 2015. Expenditures for government functions totaled $286,674 at June 30, 2015.

Proprietary Funds

The proprietary fund provides similar information to the government-wide financial statements, but in more detail.

Agency Funds

The agency funds maintain assets held in an agent capacity for other governments, organizations and individuals. The district is acting as an agent for the Heber Public Utility District Community Facilities District No. 2005-1 by making the payments to the bondholders from the property taxes collected by the County of Imperial.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District's investment in capital assets for its governmental and business-type activities amounted to $31,010,156 (net of accumulated depreciation). The investments in capital assets are comprised of land, infrastructure, structures and improvements, furniture and equipment, vehicles, and construction in progress. The District, according to GASB 34 guidelines, has elected retroactively to include all infrastructure assets.

Table 3 -The District's Capital Assets (Net of accumulated depreciation)

	2015	2014
Land	$ 1,021,143	$ 1,021,143
Infrastructure & Improvements	29,050,616	29,872,460
Furniture and Equipment	175,039	174,271
Construction In Process	763,358	720,420
Total	$ 31,010,156	$ 31,788,294

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $8,285,725 which is described in the table below.

Table 4 - The District's Outstanding Debt

	2015	2014
2009 USDA Loan	$ 3,155,000	$ 3,218,000
2012 SRF WWTP Loan	5,130,725	5,288,835
Total	$ 8,285,725	$ 8,506,835

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Graciela Lopez, HPUD Finance Officer at (760) 482-2445.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 453,688	$ 2,082,203	$ 2,535,891
Restricted cash and cash equivalents	-	520,990	520,990
Accounts receivable	76,404	359,157	435,561
Note receivable	-	13,255	13,255
Total Current Assets	530,092	2,975,605	3,505,697
Noncurrent Assets:			
Capital Assets:			
Capital assets not being depreciated	531,527	1,252,974	1,784,501
Capital assets, net of depreciation	315,243	28,910,412	29,225,655
Total Capital Assets	846,770	30,163,386	31,010,156
Total Noncurrent Assets	846,770	30,163,386	31,010,156
TOTAL ASSETS	1,376,862	33,138,991	34,515,853
DEFERRED OUFLOWS OF RESOURCES			
Deferred amounts from pension	10,326	69,277	79,603
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,326	69,277	79,603
LIABILITIES			
Current Liabilities:			
Accounts payable	10,753	156,268	167,021
Accrued interest payable	-	12,653	12,653
Accrued wages and benefits payable	2,728	19,975	22,703
Deposits	1,272	92,422	93,694
Long-term debt due within one year	-	222,691	222,691
Current portion of compensated absences	2,841	57,220	60,061
Total Current Liabilities	17,594	561,229	578,823
Noncurrent Liabilities:			
Net Pension Liability	40,679	272,879	313,558
Long-term debt due in more than one year	-	8,063,034	8,063,034
Compensated absences	-	60,000	60,000
Total Noncurrent Liabilities	40,679	8,395,913	8,436,592
TOTAL LIABILITIES	58,273	8,957,142	9,015,415
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts from pension	20,025	134,330	154,355
TOTAL DEFERRED INFLOWS OF RESOURCES	20,025	134,330	154,355
NET POSITION			
Net investment in capital assets	846,770	21,877,661	22,724,431
Restricted for debt service	-	520,990	520,990
Unrestricted	462,120	1,718,145	2,180,265
TOTAL NET POSITION	$ 1,308,890	$ 24,116,796	$ 25,425,686

See accompanying independent auditors' report and notes to financial statements.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
Parks and recreation	$ 282,177	$ 81,381	$ -	$ -
Other governmental activities	-	-	-	-
Total governmental activities	282,177	81,381	-	-
Business-Type Activities				
Water	1,582,375	1,458,526	-	-
Wastewater	1,378,881	1,224,352	-	-
Solid waste	464,338	482,278	-	-
Total business-type activities	3,425,594	3,165,156	-	-
Total primary government	$ 3,707,771	$ 3,246,537	$ -	$ -

GENERAL REVENUES
Property taxes
Investment earnings
Other revenues
Total General Revenues

CHANGES IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, AS RESTATED

NET POSITION AT END OF YEAR

Net (Expense)/Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (200,796)	$ -	$ (200,796)
-	-	-
(200,796)	-	(200,796)
-	(123,849)	(123,849)
-	(154,529)	(154,529)
-	17,940	17,940
-	(260,438)	(260,438)
(200,796)	(260,438)	(461,234)
466,594	-	466,594
-	1,068	1,068
7,590	27,412	35,002
474,184	28,480	502,664
273,388	(231,958)	41,430
1,035,502	24,348,754	25,384,256
$ 1,308,890	$ 24,116,796	$ 25,425,686

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 448,883	$ 4,805	$ 453,688
Accounts receivable	73,512	2,892	76,404
Total Assets	$ 522,395	$ 7,697	$ 530,092
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 10,753	$ -	$ 10,753
Deposits	1,272	-	1,272
Accrued expenses	2,728	-	2,728
Total Liabilities	14,753	-	14,753
FUND BALANCES			
Restricted	-	7,697	7,697
Unassigned	507,642	-	507,642
Total Fund Balances	507,642	7,697	515,339
TOTAL LIABILITIES AND FUND BALANCES	$ 522,395	$ 7,697	$ 530,092

See accompanying independent auditors' report and notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

	Amount
Fund balances for governmental funds	$ 515,339
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in governmental funds (net of accumulated depreciation).	846,770
Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:	
Compensated absences	(2,841)
Pension related debt applicable to the District's governmental activites 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 effect only the government-wide statements for governmental activities.	
Deferred outflows of resources	10,326
Deferred inlows of resources	(20,025)
Net pension liability	(40,679)
Net position of governmental activities	$ 1,308,890

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property Taxes	$ 466,594	$ -	$ 466,594
Interest	-	-	-
Charges for services	81,381	-	81,381
Other revenues	7,590	-	7,590
Total Revenues	555,565	-	555,565
EXPENDITURES			
Capital outlay	23,492	-	23,492
General government	263,182	-	263,182
Total Expenditures	286,674	-	286,674
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	268,891	-	268,891
NET CHANGES IN FUND BALANCES	268,891	-	268,891
FUND BALANCES AT BEGINNING OF YEAR	238,751	7,697	246,448
FUND BALANCES AT END OF YEAR	$ 507,642	$ 7,697	$ 515,339

See accompanying independent auditors' report and notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

		Amount
Net changes in fund balances - total governmental funds		$ 268,891
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 23,728	
Disposal of assets	(7,565)	
Depreciation expense	(19,612)	(3,449)
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.		1,558
The issuance of long-term liabilites provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes current financial resources of governmental funds. However these transactions have no effect on net position:		
Net increase in compensated absences payable		6,388
Changes in net position of governmental activities		$ 273,388

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Water	Wastewater	Solid Waste	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 818,388	$ 1,023,636	$ 240,179	$ 2,082,203
Restricted cash and cash equivalents	309,990	211,000	-	520,990
Accounts receivable	198,182	115,653	45,322	359,157
Note receivable	-	13,255	-	13,255
Due from other funds	-	199,053	-	199,053
Total Current Assets	1,326,560	1,562,597	285,501	3,174,658
Noncurrent Assets:				
Capital Assets:				
Capital assets not being depreciated	726,858	526,116	-	1,252,974
Capital assets, net of depreciation	12,834,441	16,075,971	-	28,910,412
Total Noncurrent Assets	13,561,299	16,602,087	-	30,163,386
TOTAL ASSETS	14,887,859	18,164,684	285,501	33,338,044
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts from pension	35,445	32,458	1,374	69,277
TOTAL DEFERRED OUTFLOWS OF RESOURCES	35,445	32,458	1,374	69,277
LIABILITIES				
Current Liabilites:				
Accounts Payable	44,970	37,564	73,734	156,268
Accrued interest payable	6,712	5,941	-	12,653
Accrued wages and benefits payable	10,273	9,316	386	19,975
Deposits	40,866	43,630	7,926	92,422
Due to other funds	199,053	-	-	199,053
Long-term debt due within one year	63,000	159,691	-	222,691
Current portion of compensated absences	25,847	31,373	-	57,220
Total Current Liabilities	390,721	287,515	82,046	760,282
Noncurrent Liabilities:				
Net pension liability	139,618	127,850	5,411	272,879
Long-term debt due in more than one year	3,092,000	4,971,034	-	8,063,034
Compensated absences	30,000	30,000	-	60,000
Total Noncurrent Liabilities	3,261,618	5,128,884	5,411	8,395,913
TOTAL LIABILITIES	3,652,339	5,416,399	87,457	9,156,195
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts from pension	68,729	62,937	2,664	134,330
TOTAL DEFERRED INFLOWS OF RESOURCES	68,729	62,937	2,664	134,330
NET POSITION				
Net investment in capital assets	10,406,299	11,471,362	-	21,877,661
Restricted for debt service	309,990	211,000	-	520,990
Unrestricted	485,947	1,035,444	196,754	1,718,145
TOTAL NET POSITION	$ 11,202,236	$ 12,717,806	$ 196,754	$ 24,116,796

See accompanying independent auditors' report and notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water	Wastewater	Solid Waste	Total
OPERATING REVENUES				
Charges for services	$ 1,458,526	$ 1,224,352	$ 482,278	$ 3,165,156
Total Operating Revenues	1,458,526	1,224,352	482,278	3,165,156
OPERATING EXPENSES				
Salaries and benefits	578,183	566,773	20,312	1,165,268
Materials and supplies	241,533	140,891	2,504	384,928
Contract and other services	206,981	228,176	441,522	876,679
Depreciation	471,205	390,153	-	861,358
Total Operating Expenses	1,497,902	1,325,993	464,338	3,288,233
OPERATING INCOME (LOSS)	(39,376)	(101,641)	17,940	(123,077)
NONOPERATING REVENUES (EXPENSES)				
Interest income	506	562	-	1,068
Other revenue	16,952	8,583	1,877	27,412
Interest expense	(84,473)	(52,888)	-	(137,361)
Total Nonoperating Revenues (Expenses)	(67,015)	(43,743)	1,877	(108,881)
Changes In Net Position	(106,391)	(145,384)	19,817	(231,958)
Net Position at Beginning of Year, As Restated	11,308,627	12,863,190	176,937	24,348,754
Net Position at End of Year	$ 11,202,236	$ 12,717,806	$ 196,754	$ 24,116,796

See accompanying independent auditors' report and notes to financial statements.

STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	Water	Wastewater	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	$ 1,439,235	$ 1,283,942	$ 485,246	$ 3,208,423
Cash paid to vendors and suppliers for materials and services	(410,580)	(375,268)	(443,693)	(1,229,541)
Cash paid for employee wages, benefits and related costs	(588,591)	(571,501)	(20,133)	(1,180,225)
Net cash provided (used) by operating activities	440,064	337,173	21,420	798,657
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from property taxes	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(51,083)	(35,587)	-	(86,670)
Principal paid on long-term debt	(63,000)	(158,110)	-	(221,110)
Interest paid on long-term debt	(84,473)	(52,888)	-	(137,361)
Net cash provided (used) by capital and and related financing activities	(198,556)	(246,585)	-	(445,141)
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Investment income received	506	562	-	1,068
Net cash provided (used) by investment activities	506	562	-	1,068
Net increase (decrease) in cash and cash equivalents	242,014	91,150	21,420	354,584
Cash and cash equivalents, beginning of year	886,364	1,143,486	218,759	2,248,609
Cash and cash equivalents, end of year	$ 1,128,378	$ 1,234,636	$ 240,179	$ 2,603,193
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ (39,376)	$ (101,641)	$ 17,940	$ (123,077)
Adjustments to reconcile operating income (loss) to Net cash provided by operating activities:				
Depreciation	471,205	390,153	-	861,358
Other nonoperating revenues (expense), net	16,952	8,583	1,877	27,412
GASB 68 Adjustment to Pension Expense	(5,350)	(4,900)	(207)	(10,457)
Changes in operating assets and liabilities:				
(Increase) decrease in assets:				
Receivables	(13,319)	14,230	1,114	2,025
Due from other funds	-	24,882	-	24,882
Increase (decrease) in liabilities:				
Accounts payable	37,933	(6,200)	332	32,065
Accrued payroll and compensated absences	(5,058)	172	386	(4,500)
Deposits	1,959	11,894	(22)	13,831
Due to other funds	(24,882)	-	-	(24,882)
Total Adjustments	479,440	438,814	3,480	921,734
Net cash provided (used) by operating activities	$ 440,064	$ 337,173	$ 21,420	$ 798,657

See accompanying independent auditors' report and notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2015

	Agency Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 415,154
Accounts receivable	62,346
Total Current Assets	477,500
Noncurrent Assets:	
Due from property owners	1,508,277
Total Noncurrent Assets	1,508,277
TOTAL ASSETS	$ 1,985,777
LIABILITIES	
Current Liabilities:	
Accounts payable	$ 31,077
Long-term debt due within one year	60,000
Total Current Liabilities	91,077
Noncurrent Liabilities:	
Long-term debt due in more than one year	1,894,700
Total Noncurrent Liabilities	1,894,700
TOTAL LIABILITIES	$ 1,985,777

June 30, 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity:

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

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

Raw water used by HPUD is supplied by the Central Main Canal via the Dogwood Canal, both of which are under the jurisdiction of the Imperial Irrigation District (IID). The water is drawn from the canal, treated, used by the community and then re-treated in HPUD sewage treatment plant, and finally 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 2,000,000 gallons of water per day.

Prior to 1968, sewage treatment needs in 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 which are financially accountable to the primary government. Since the District's Board of Directors serves as the governing board for HPUFC, it is considered a blended component unit. Blended component units although legally separate entities, are in substance, part of the District's operations and so data from these units are reported with the interfund data of the primary government.

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

b. Government-Wide and Fund Financial Statements:

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

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

b. Government-Wide and Fund Financial Statements (continued):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Proprietary fund equity is classified as net position.

All governmental funds are accounted for using the current financial resources measurement focus and the modified-accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period. Their revenues are recognized when they become measurable and available. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter (within 60 days) to be available to finance the expenditures accrued for the reporting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service payments (principal and interest) unpaid vacation, compensatory time and claims and judgments are recorded only when payment is due.

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

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

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

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

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

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

The District reports the following major proprietary funds:

The **Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private enterprises where the intent of the governing body is that the costs of providing goods and services to the public on a continuing basis be financed or recovered primarily through user charges. Individual enterprise funds are as follows:

Water Operations and Capital- To account for the operations, maintenance, and system construction of the District's water operations, which is funded by user charges and other fees.

Wastewater Operations and Capital- To account for the operations, maintenance, and system construction of the District's wastewater operations, which is funded by user charges and other fees.

Solid Waste Operations and Capital- To account for the operations, maintenance, and system construction of the District's solid waste operations, which is funded by user charges and other fees.

Amounts reported as program revenues include: (1) fees and charges to customers, applicants, and citizens; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes. Program revenues and expenditures are classified by function. Each function is defined as a major department with a department head and separate budget.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for water, wastewater, and solid waste services. Operating expenses for proprietary funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

d. New Accounting Pronouncements

GASB Current Year Standards:

In fiscal year 2014-2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27"* and GASB Statement No. 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position of the governmental activities and business-type activities at July 1, 2014 by $51,936 and $348,391, respectively. Within the business-type activities, the $348,391 decrease in net position was allocated to water, wastewater and solid waste enterprise funds at July 1, 2014 by $178,253, $163,229 and $6,909, respectively.

GASB Statement No. 69 - *"Government Combinations and Disposals of Government Operations"* was required to be implemented in the current fiscal year and did not impact the District.

GASB Pending Accounting Standards:

GASB has issued the following statements which may impact the District's financial reporting requirements in the future.

- GASB 72 - *"Fair Value Measurement and Application"*, effective for periods beginning after June 15, 2015.

- GASB 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.

- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.

- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.

- GASB 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, effective for periods beginning after June 15, 2015.

e. Cash and Cash Equivalents:

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

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

f. Restricted Cash and Cash Equivalents:

Certain amounts of cash and cash equivalents are restricted in use by law or debt covenant, and accordingly, are shown as restricted on the Statement of Net Position. For the fiscal year ended June 30, 2015 the District had restricted cash and cash equivalents in the Water and Wastewater funds of $255,520 and $211,000, respectively.

g. Receivables and Payables:

Management estimates all receivables at June 30, 2015 to be collectable, as any receivables deemed uncollectable have been written off.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/due from other funds”.

h. Compensated Absences:

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

i. Claims and Judgments:

When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2015, in the opinion of the District's Counsel, the District had no material claims which would require loss provision in the financial statements, including losses for claims which are Incurred But Not Reported (IBNR). Small dollar claims and judgments are recorded as expenditures when paid, if any.

j. Property Taxes:

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

k. Capital Assets:

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

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

k. Capital Assets (Continued):

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

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

l. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has only one item that qualifies for reporting in this category, which is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

The second item is a deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

m. Interest Expense:

The District incurs interest charges on long-term debt. For fiscal year ended June 30, 2015 the District expensed $137,361 of interest incurred.

o. 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 expenses during the reporting period. Actual results could differ from those estimates.

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

p. 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' Retirment System (CalPERS) plans (Plans) and additions to/deductinos from the Plan's fiduciary net position have been determinded 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.

2. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at June 30, 2015, are reported in the accompanying financial statements as follows:

Statement of Net Position		
Current Assets:		
Cash and cash equivalents	$	2,590,361
Restricted cash and cash equivalents		466,520
Cash and cash equivalents with fiscal agent*		415,154
Total Cash and Cash Equivalents	$	3,472,035

Cash and cash equivalents at June 30, 2015 consisted of the following:

Deposits with financial institutions	$	3,056,782
Cash on hand		100
Investments - money market mutual fund		415,153
Total Cash and Cash Equivalents	$	3,472,035

*Reported on the Statement of Fiduciary Net Position.

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

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations. At June 30, 2015, District's investments in money market mutual funds has a maturity of less than one year.

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2015, the District' s investment in money market mutual fund is rated AAA by Standard and Poors.

2. CASH AND CASH EQUIVALENTS (Continued):

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

3. CAPITAL ASSETS:

Governmental capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions & Completed Construction	Balance June 30, 2015
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	$ 508,867	$ -	$ -	$ 508,867
Construction in process	7,565	22,660	(7,565)	22,660
Total Capital Assets, Not Depreciated	516,432	22,660	(7,565)	531,527
Capital Assets, Being Depreciated:				
Buildings	511,074	-	(117,500)	393,574
Machinery and equipment	91,436	-	(985)	90,451
Furniture and fixtures	77,255	378	(54,862)	22,771
Computer equipment	35,846	690	(35,846)	690
Subtotal	715,611	1,068	(209,193)	507,486
Less Accumulated Depreciation For:				
Buildings	(240,179)	(9,319)	117,500	(131,998)
Machinery and equipment	(59,053)	(8,253)	12,033	(55,273)
Furniture and fixtures	(46,746)	(1,810)	43,814	(4,742)
Computer equipment	(35,846)	(230)	35,846	(230)
Total Accumulated Depreciation	(381,824)	(19,612)	209,193	(192,243)
Net Capital Assets, Being Depreciated	333,787	(18,544)	-	315,243
Net Capital Assets	$ 850,219	$ 4,116	$ (7,565)	$ 846,770

3. CAPITAL ASSETS (Continued):

Business-type capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions & Completed Construction	Balance June 30, 2015
Business-type activities:				
Capital Assets, Not Depreciated:				
Land	$ 512,276	$ -	$ -	$ 512,276
Construction in process	712,855	53,236	(25,393)	740,698
Total Capital Assets, Not Depreciated	1,225,131	53,236	(25,393)	1,252,974
Capital Assets, Being Depreciated:				
Structures and improvements	553,620	15,048	(85,767)	482,901
Machinery and equipment	347,048	29,877	(92,375)	284,550
Infrastructure	37,687,530	-	-	37,687,530
Computer Equipment	121,021	13,901	(86,848)	48,074
Subtotal	38,709,219	58,826	(264,990)	38,503,055
Less Accumulated Depreciation For:				
Structures and improvements	(254,174)	(45,937)	85,767	(214,344)
Machinery and equipment	(248,327)	(24,352)	92,375	(180,304)
Infrastructure	(8,385,411)	(781,592)	-	(9,167,003)
Computer Equipment	(108,363)	(9,477)	86,848	(30,992)
Total Accumulated Depreciation	(8,996,275)	(861,358)	264,990	(9,592,643)
Net Capital Assets, Being Depreciated	29,712,944	(802,532)	-	28,910,412
Net Capital Assets	$ 30,938,075	$ (749,296)	$ (25,393)	$ 30,163,386

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

Governmental Activities:	
Parks and recreation	$ 19,612
Total depreciation expense – governmental activities	$ 19,612
Business-type Activities:	
Water	$ 471,205
Wastewater	390,153
Total depreciation expense – business-type activities	$ 861,358

4. LONG-TERM DEBT

Changes in long-term debt for the year ending June 30, 2015 consist of the following:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Business-type activities:					
2009 U.S.D.A. Certificates of Participation	$ 3,218,000	$ -	$ (63,000)	$ 3,155,000	$ 63,000
2012 SRF Wastewater Treatment Expansion Loan	5,288,835	-	(158,110)	5,130,725	159,691
Totals	$ 8,506,835	$ -	$ (221,110)	$ 8,285,725	$ 222,691

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

Certificates of Participation with a principal amount not to exceed $3,533,000 were issued July 20, 2009, bear an interest rate of 2.63% and mature June 1, 2049. The Certificates of Participation were issued to secure the loan from the USDA RDA and to provide financing for the acquisition and installation of certain water system improvements. The principal amount outstanding at June 30, 2015 was $3,155,000. Future debt service requirements for the Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 63,000	$ 83,046	$ 146,046
2017	64,000	81,165	145,165
2018	64,000	79,485	143,485
2019	64,000	77,805	141,805
2020	90,000	76,334	166,334
2021-2025	450,000	345,370	795,370
2026-2030	460,000	286,282	746,282
2031-2035	500,000	223,254	723,254
2036-2040	500,000	157,493	657,493
2041-2045	500,000	91,918	591,918
2046-2049	400,000	26,264	426,264
	$ 3,155,000	$ 1,528,416	$ 4,683,416

2012 SRF Wastewater Treatment Expansion Loan

The obligation is with the California State Water Resources Control Board – State Revolving Fund with a principal amount not to exceed $10,911,131. The net revenues of the Wastewater fund are pledged to secure this obligation. The obligation is for providing financing for the acquisition and installation of improvements to the wastewater treatment plant. The interest rate is 1.00% and matures on January 10, 2043. The principal amount outstanding at June 30, 2015 was $5,130,725.

4. LONG-TERM DEBT (Continued):

Future debt service requirements for the above loan is as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 159,691	$ 51,307	$ 210,998
2017	161,288	49,710	210,998
2018	162,901	48,097	210,998
2019	164,530	46,468	210,998
2020	166,175	44,823	210,998
2021-2025	856,136	198,855	1,054,991
2026-2030	899,808	155,183	1,054,991
2031-2035	945,707	109,284	1,054,991
2036-2040	993,947	61,044	1,054,991
2041-2043	620,542	12,452	632,994
	$ 5,130,725	$ 777,223	$ 5,907,948

5. EQUIPMENT OPERATING LEASE COMMITMENT:

The District has an operating lease for office equipment rented from Oce Financial Services, Inc. The terms of the contract are 60 monthly payments of $335 ending September 2015. The lease expense for the year ended June 30, 2015 totaled $4,020. The following is the remaining future payments required for this lease:

Year Ending June 30,	Amount
2016	$ 1,005

6. SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY:

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

	Insurance Per Occurrence
General Liability (including auto)	$ 5,000,000
Public Officials & Employee	$ 5,000,000
Personal Liability for Board Members	$ 500,000
Employment Practices Liability	$ 5,000,000
Employee Benefits Liability	$ 5,000,000
Employee Dishonesty	$ 400,000
Fire, Theft, and Flood	$1,000,000,000
Uninsured Motorists	$ 750,000
Boiler and Machinery	$ 100,000,000
Workers' Compensation	$ 5,000,000

Settled claims have not exceeded any of the District's coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ended June 30, 2015.

7. PENSION PLANS:

a. General Information about the Pension Plans:

Plan Descriptions:

All qualified permanent and probationary employees are eligible to participate in the District's 2.0% at 55 (Tier I), 2.0% at 60 (Tier II), and 2.0% at 62 (Tier III PEPRA) Miscellaneous Employee Pension Plans, 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 fifty (50) with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) 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.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	12.137%	6.25%

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 the 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.

7. PENSION PLANS (CONTINUED):

a. General Information about the Pension Plans (Continued):

Contributions (Continued):

For the year ended June 30, 2015, the contributions recognized as part of pension expense were as follows:

	Micellaneous Plan
Contributions - employers	$ 80,895
Contributions - employee (paid by employee)	$ 50,496

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 313,558

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, 2014, 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, 2013 rolled forward to June 30, 2014 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 District's proportionate share of the net pension liability for all Plans as of June 30, 2013 and 2014 was as follows:

	Miscellaneous
Proportion - June 30, 2013	0.01469%
Proportion - June 30, 2014	0.01269%
Change - Increase (Decrease)	-0.00200%

7. PENSION PLANS (CONTINUED):

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

For the year ended June 30, 2015, the District recognized pension expense of $67,586. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 79,603	$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(7,001)
Net differences between projected and actual earnings on plan investments	-	(147,354)
Total	$ 79,603	$ (154,355)

$79,603 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 ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	$ (39,340)
2017	(39,340)
2018	(38,838)
2019	(36,837)
2020	-
Thereafter	-

7. PENSION PLANS (CONTINUED):

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

Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

7. PENSION PLANS (CONTINUED):

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

Discount Rate (Continued):

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in the methodology occurs.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

7. PENSION PLANS (CONTINUED):

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability for all Plans, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	$ 639,749
Current Discount Rate	7.50%
Net Pension Liability	$ 313,558
1% Increase	8.50%
Net Pension Liability	$ 42,850

Pension Plan Fiduciary Net Position:

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

c. Payable to the Pension Plan:

At June 30, 2015, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

8. COMMITMENTS AND CONTINGENT LIABILITIES:

Grant Audit Contingencies:

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

Litigation:

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

9. INTERFUND TRANSACTIONS:

Individual interfund receivables and payables at June 30, 2015 were as follows:

	Due From Other Funds	Due To Other Funds
Water Fund	$ -	$ 199,053
Wastewater Fund	199,053	-
Total All Funds	$ 199,053	$ 199,053

The Wastewater fund loaned cash to the Water Fund to fund the completion of the 3MG water storage tank project.

10. RESTATEMENTS OF PRIOR YEAR FINANCIAL STATEMENTS:

Restatements of the Government-Wide Financial Statements' net position as of July 1, 2014 are as follows:

	Governmental Activities	Business-type Activities	Total
Net position at July 1, 2014, as originally reported	$ 1,087,438	$ 24,697,145	$ 25,784,583
Implementation of GASB Statements 68 and 71 to record pension liability at beginning of year	(51,936)	(348,391)	(400,327)
Net position at July 1, 2014, as restated	$ 1,035,502	$ 24,348,754	$ 25,384,256

Restatements of the Enterprise Funds' net position as of July 1, 2014 are as follows:

	Water Fund	Wastewater Fund	Solid Waste Fund
Net position at July 1, 2014, as originally reported	$ 11,486,880	$ 13,026,419	$ 183,846
Implementation of GASB Statements 68 and 71 to record pension liability at beginning of year	(178,253)	(163,229)	(6,909)
Net position at July 1, 2014, as restated	$ 11,308,627	$ 12,863,190	$ 176,937

11. SUBSEQUENT EVENTS:

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosures as of December 10, 2015 which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

		2015
Plan's proportion of the net pension liability		0.01269%
Plan's proportionate share of the net pension liability	$	313,558
Plan's covered - employee payroll	$	745,373
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll		42.07%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability		87.25%
Plan's proportionate share of aggregate employer contributions	$	58,011

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

		2015
Contractually required contribution (actuarially determined)	$	80,895
Contributions in relation to the actuarially determined contributions		80,895
Contribution deficiency (excess)	$	-
Covered - employee payroll	$	745,373
Contributions as a percentage of covered - employee payroll		10.85%

Notes to Schedule:

Valuation Date	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:	
Cost-sharing employers	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 year fixed with 5 year ramp up at beginning and 5 year ramp down at the end of the amortization period. Changes in liability for plan amendments, changes in actuarial methodology and assumptions are amortized over a 20 year period.
Asset valuation method	Market
Inflation	3.50%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, 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, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For the year ended June 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 238,751	$ 238,751	$ 238,751	$ -
RESOURCES (INFLOWS):				
Property taxes	350,000	350,000	466,594	116,594
Interest	100	100	-	(100)
Charges for services	76,000	76,000	81,381	5,381
Other revenues	8,100	8,100	7,590	(510)
Amount Available for Appropriations	434,200	434,200	555,565	121,365
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	55,600	55,600	23,492	32,108
General government	326,500	326,500	263,182	63,318
Total Charges to Appropriations	382,100	382,100	286,674	95,426
NET CHANGES IN FUND BALANCE	52,100	52,100	268,891	216,791
FUND BALANCE, JUNE 30	$ 290,851	$ 290,851	$ 507,642	$ 216,791

1. BUDGETS AND BUDGETARY ACCOUNTING:

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