

**HEBER PUBLIC UTILITY DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2025**

NIGRO & NIGRO^{PC}

HEBER PUBLIC UTILITY DISTRICT
For the Fiscal Year Ended June 30, 2025
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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Heber Public Utility District
Heber, California

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Heber Public Utility District (District) as of and for the year ended June 30, 2025, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Notes 1, 6, and 13 to the financial statements, as of July 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences and Statement No. 102, Certain Risk Disclosures. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 15, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
January 15, 2026

HEBER PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

Management's Discussion and Analysis (MD&A) offers readers of Heber Public Utility District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2025. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased 4.21%, or \$1,109,525 from the prior year's net position of \$26,334,616 to \$27,444,141.
- Total program and general revenues increased by 18.06%, or \$840,993 from \$4,657,095 to \$5,498,088, from the prior year, primarily due to an increase in grant revenue and capital contributions.
- Total expenses for the District's operations increased by 3.64% or \$203,279 from \$5,589,973 to \$5,793,252, from the prior year, primarily due to the increase in operational and depreciation expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

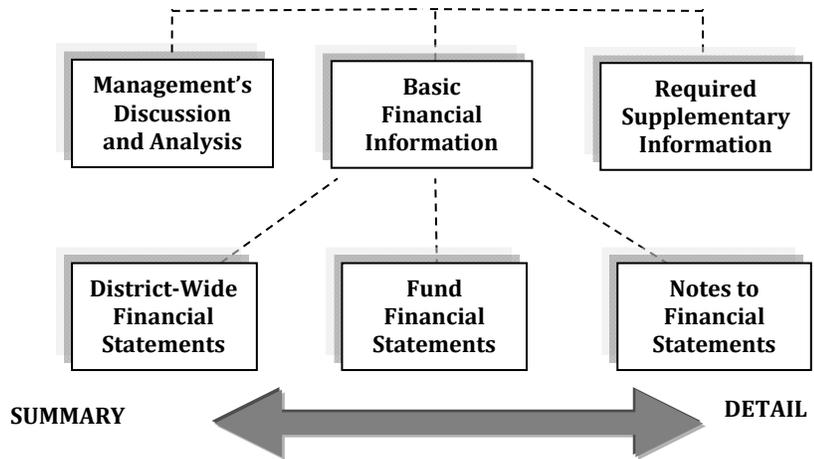
- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The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

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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



HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

District-Wide Statements

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

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

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

Fund Financial Statements

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

The District has three kinds of funds:

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

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
ASSETS:						
Current assets	\$ 50,114	\$ 596,574	\$ 5,101,040	\$ 5,068,453	\$ 5,151,154	\$ 5,665,027
Non-current assets	-	-	90,361	-	90,361	-
Capital assets, net	3,747,181	2,899,932	29,592,553	30,255,263	33,339,734	33,155,195
Total assets	3,797,295	3,496,506	34,783,954	35,323,716	38,581,249	38,820,222
DEFERRED OUTFLOWS OF RESOURCES	76,740	97,895	373,544	508,492	450,284	606,387
LIABILITIES:						
Current liabilities	330,178	559,115	725,128	1,598,773	1,055,306	2,157,888
Non-current liabilities	199,349	179,165	10,171,330	10,665,395	10,370,679	10,844,560
Total liabilities	529,527	738,280	10,896,458	12,264,168	11,425,985	13,002,448
DEFERRED INFLOWS OF RESOURCES	5,573	8,192	155,834	81,353	161,407	89,545
NET POSITION						
Net investment in capital assets	3,747,181	2,899,932	20,131,960	20,287,315	23,879,141	23,187,247
Unrestricted	(408,246)	(52,003)	3,973,246	3,199,372	3,565,000	3,147,369
Total net position	\$ 3,338,935	\$ 2,847,929	\$ 24,105,206	\$ 23,486,687	\$ 27,444,141	\$ 26,334,616

At the end of fiscal year 2025, the District shows a positive balance in its unrestricted net position of \$3,565,000.

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
REVENUES:						
Program revenues	\$ 736,193	\$ 256,433	\$ 4,085,357	\$ 3,873,785	\$ 4,821,550	\$ 4,130,218
General revenues and transfers	492,812	575,499	183,726	(48,622)	676,538	526,877
Total revenues	1,229,005	831,932	4,269,083	3,825,163	5,498,088	4,657,095
EXPENSES:						
Operations	645,005	562,420	3,315,315	3,235,367	3,960,320	3,797,787
Depreciation expense	92,994	82,194	1,639,617	1,595,241	1,732,611	1,677,435
Interest expense	-	-	100,321	114,751	100,321	114,751
Total expenses	737,999	644,614	5,055,253	4,945,359	5,793,252	5,589,973
Change in net position	491,006	187,318	(786,170)	(1,120,196)	(295,164)	(932,878)
Capital contributions	-	-	1,404,689	-	1,404,689	-
Change in net position	491,006	187,318	618,519	(1,120,196)	1,109,525	(932,878)
NET POSITION:						
Beginning of year	2,847,929	2,660,611	23,486,687	24,606,883	26,334,616	27,267,494
End of year	\$ 3,338,935	\$ 2,847,929	\$ 24,105,206	\$ 23,486,687	\$ 27,444,141	\$ 26,334,616

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations increased 4.21%, or \$1,109,525 from the prior year's net position of \$26,334,616 to \$27,444,141.

Total program and general revenues increased by 18.06%, or \$840,993 from \$4,657,095 to \$5,498,088, from the prior year, primarily due to an increase in grant revenue and capital contributions.

Total expenses for the District's operations increased by 3.64% or \$203,279 from \$5,589,973 to \$5,793,252, from the prior year, primarily due to the increase in operational and depreciation expenses.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

As of June 30, 2025, the District reported a total deficit fund balance of (\$256,976). An amount of (\$303,152) constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District's general fund at year-end were \$888,244 less than actual. The variance was due to actual capital outlay expenses being \$906,743 more than budgeted. Actual revenues were less than the anticipated budget by \$1,372,534. The variance was due to actual grants and contribution revenue being \$1,024,172 less than budgeted.

HEBER PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

CAPITAL ASSET ADMINISTRATION

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

	<u>Balance</u> <u>June 30, 2025</u>	<u>Balance</u> <u>June 30, 2024</u>
Non-depreciable capital assets	\$ 3,026,853	\$ 2,074,351
Depreciable capital assets	<u>55,053,577</u>	<u>54,088,929</u>
Total capital assets	58,080,430	56,163,280
Accumulated depreciation	<u>(24,740,696)</u>	<u>(23,008,085)</u>
Total capital assets, net	<u>\$ 33,339,734</u>	<u>\$ 33,155,195</u>

At the end of fiscal year 2025, the District's net investment in capital assets amounted to \$33,339,734 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various ongoing structural improvements and equipment totaling \$1,917,150.

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

DEBT ADMINISTRATION

Table A-4: Long-term Debt

	<u>Balance</u> <u>June 30, 2025</u>	<u>Balance</u> <u>June 30, 2024</u>
Long-term debt	<u>\$ 9,460,593</u>	<u>\$ 9,967,948</u>

At the end of fiscal year 2025, the District paid down its long-term debt by \$507,355. See Note 7 for further information on the District's outstanding debt.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

HEBER PUBLIC UTILITY DISTRICT
Statement of Net Position
June 30, 2025

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (Note 2)	\$ 3,950	\$ 4,506,523	\$ 4,510,473
Accrued interest receivable	10,349	41,396	51,745
Accounts receivable – services, net (Note 3)	35,815	507,612	543,427
Lease receivable (Note 4)	-	19,832	19,832
Prepays	-	25,677	25,677
Total current assets	50,114	5,101,040	5,151,154
Non-current assets:			
Lease receivable (Note 4)	-	90,361	90,361
Capital assets – not being depreciated (Note 5)	2,454,779	572,074	3,026,853
Capital assets – being depreciated, net (Note 5)	1,292,402	29,020,479	30,312,881
Total non-current assets	3,747,181	29,682,914	33,430,095
Total assets	3,797,295	34,783,954	38,581,249
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources (Note 8)	76,740	373,544	450,284
Total deferred outflows of resources	76,740	373,544	450,284
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	285,556	95,350	380,906
Customer deposits and unearned revenue	21,534	68,657	90,191
Accrued interest payable	-	9,358	9,358
Compensated absences (Note 6)	23,088	123,563	146,651
Long-term debt due within a year (Note 7)	-	428,200	428,200
Total current liabilities	330,178	725,128	1,055,306
Non-current liabilities:			
Compensated absences (Note 6)	23,088	123,563	146,651
Long-term debt due in more than a year (Note 7)	-	9,032,393	9,032,393
Net pension liability (Note 8)	176,261	1,015,374	1,191,635
Total non-current liabilities	199,349	10,171,330	10,370,679
Total liabilities	529,527	10,896,458	11,425,985
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Lease related deferred inflows of resources (Note 4)	-	110,193	110,193
Pension related deferred inflows of resources (Note 8)	5,573	45,641	51,214
Total deferred inflows of resources	5,573	155,834	161,407
<u>NET POSITION</u>			
Net investment in capital assets (Note 9)	3,747,181	20,131,960	23,879,141
Unrestricted	(408,246)	3,973,246	3,565,000
Total net position	\$ 3,338,935	\$ 24,105,206	\$ 27,444,141

HEBER PUBLIC UTILITY DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital and Operating Grants</u>
Primary government:			
Governmental activities:			
Parks and recreation	\$ 737,999	\$ 150,875	\$ 585,318
Total governmental activities	<u>737,999</u>	<u>150,875</u>	<u>585,318</u>
Business-type activities:			
Water	2,199,608	1,967,122	508,306
Wastewater	2,129,861	1,404,594	800,734
Solid waste	725,784	713,641	95,649
Total business-type activities	<u>5,055,253</u>	<u>4,085,357</u>	<u>1,404,689</u>
Total primary government	<u>\$ 5,793,252</u>	<u>\$ 4,236,232</u>	<u>\$ 1,990,007</u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Activities (continued)
For the Fiscal Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Parks and recreation	\$ (1,806)	\$ -	\$ (1,806)
Total governmental activities	(1,806)	-	(1,806)
Business-type activities:			
Water	-	275,820	275,820
Wastewater	-	75,467	75,467
Solid waste	-	83,506	83,506
Total business-type activities	-	434,793	434,793
Total primary government	(1,806)	434,793	432,987
General revenues and transfers:			
Property taxes	394,900	-	394,900
Investment earnings	43,725	174,901	218,626
Other revenues	5,359	57,653	63,012
Transfers - operations (Note 11)	48,828	(48,828)	-
Total general revenues and transfers	492,812	183,726	676,538
Change in net position	491,006	618,519	1,109,525
Net position:			
Beginning of year	2,847,929	23,486,687	26,334,616
End of year	\$ 3,338,935	\$ 24,105,206	\$ 27,444,141

HEBER PUBLIC UTILITY DISTRICT
Balance Sheet – Governmental Funds
June 30, 2025

<u>Assets</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ -	\$ 3,950	\$ 3,950
Accrued interest receivable	10,349	-	10,349
Accounts receivable – services, net	35,815	-	35,815
Total assets	<u>\$ 46,164</u>	<u>\$ 3,950</u>	<u>\$ 50,114</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 285,556	\$ -	\$ 285,556
Deposits and unearned revenue	21,534	-	21,534
Total liabilities	<u>307,090</u>	<u>-</u>	<u>307,090</u>
Fund balance: (Note 10)			
Assigned	46,176	-	46,176
Unassigned	(307,102)	3,950	(303,152)
Total fund balance	<u>(260,926)</u>	<u>3,950</u>	<u>(256,976)</u>
Total liabilities and fund balance	<u>\$ 46,164</u>	<u>\$ 3,950</u>	<u>\$ 50,114</u>

HEBER PUBLIC UTILITY DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2025

Total Fund Balances – Total Governmental Funds	<u>\$ (256,976)</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	3,747,181
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(46,176)
Pension-related liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities.	
Deferred outflows of resources	76,740
Net pension liability	(176,261)
Deferred inflows of resources	<u>(5,573)</u>
Total adjustments	<u>3,595,911</u>
Net Position of Governmental Activities	<u><u>\$ 3,338,935</u></u>

HEBER PUBLIC UTILITY DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2025*

	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 394,900	\$ -	\$ 394,900
Charges for services	150,875	-	150,875
Grant revenue	585,318	-	585,318
Investment earnings	43,725	-	43,725
Other revenues	5,359	-	5,359
Total revenues	<u>1,180,177</u>	<u>-</u>	<u>1,180,177</u>
Expenditures:			
Current:			
Park maintenance and other expenses	605,701	-	605,701
Capital outlay	940,243	-	940,243
Total expenditures	<u>1,545,944</u>	<u>-</u>	<u>1,545,944</u>
Revenues over(under) expenditures	<u>(365,767)</u>	<u>-</u>	<u>(365,767)</u>
Other financing sources(uses):			
Transfers in(out) (Note 11)	48,828	-	48,828
Total other financing sources(uses)	<u>48,828</u>	<u>-</u>	<u>48,828</u>
Change in fund balance	<u>(316,939)</u>	<u>-</u>	<u>(316,939)</u>
Fund balance:			
Beginning of year	56,013	3,950	59,963
End of year	<u>\$ (260,926)</u>	<u>\$ 3,950</u>	<u>\$ (256,976)</u>

HEBER PUBLIC UTILITY DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities*

For the Fiscal Year Ended June 30, 2025

Net Changes in Fund Balance – Total Governmental Funds	<u>\$ (316,939)</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Net change in compensated absences	(23,672)
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.	(15,632)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	940,243
Depreciation expense	<u>(92,994)</u>
Total adjustments	<u>807,945</u>
Change in Net Position of Governmental Activities	<u><u>\$ 491,006</u></u>

HEBER PUBLIC UTILITY DISTRICT
Balance Sheets – Proprietary Funds
June 30, 2025

<u>ASSETS</u>	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 2,748,338	1,734,701	23,484	4,506,523
Accrued interest receivable	20,698	20,698	-	41,396
Accounts receivable – services, net	235,708	174,994	96,910	507,612
Lease receivable	9,916	9,916	-	19,832
Prepays	-	25,677	-	25,677
Total current assets	3,014,660	1,965,986	120,394	5,101,040
Non-current assets:				
Lease receivable	45,181	45,180	-	90,361
Capital assets – not being depreciated	59,798	512,276	-	572,074
Capital assets – being depreciated, net	18,367,953	10,599,542	52,984	29,020,479
Total non-current assets	18,472,932	11,156,998	52,984	29,682,914
Total assets	21,487,592	13,122,984	173,378	34,783,954
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension related deferred outflows of resources	190,762	172,665	10,117	373,544
Total deferred outflows of resources	190,762	172,665	10,117	373,544
Total assets and deferred outflows of resources	\$ 21,678,354	13,295,649	183,495	35,157,498
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 79,299	12,954	3,097	95,350
Customer deposits and unearned revenue	31,472	28,247	8,938	68,657
Accrued interest payable	5,276	4,082	-	9,358
Compensated absences	63,142	55,633	4,788	123,563
Long-term debt due within a year	251,802	176,398	-	428,200
Total current liabilities	430,991	277,314	16,823	725,128
Non-current liabilities:				
Compensated absences	63,142	55,632	4,789	123,563
Long-term debt due in more than a year	5,748,786	3,283,607	-	9,032,393
Net pension liability	513,090	477,166	25,118	1,015,374
Total non-current liabilities	6,325,018	3,816,405	29,907	10,171,330
Total liabilities	6,756,009	4,093,719	46,730	10,896,458
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Lease related deferred inflows of resources	55,097	55,096	-	110,193
Pension related deferred inflows of resources	23,822	20,620	1,199	45,641
Total deferred inflows of resources	78,919	75,716	1,199	155,834
<u>NET POSITION</u>				
Net investment in capital assets	12,427,163	7,651,813	52,984	20,131,960
Unrestricted	2,416,263	1,474,401	82,582	3,973,246
Total net position	14,843,426	9,126,214	135,566	24,105,206
Total liabilities, deferred inflows of resources and net position	\$ 21,678,354	13,295,649	183,495	35,157,498

HEBER PUBLIC UTILITY DISTRICT*Statements of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2025*

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Operating revenues:				
Water consumption sales	\$ 1,815,396	\$ -	\$ -	\$ 1,815,396
Sewer service charges	-	1,404,594	-	1,404,594
Solid waste collection charges	-	-	713,641	713,641
Other charges for services	151,726	-	-	151,726
Total operating revenues	<u>1,967,122</u>	<u>1,404,594</u>	<u>713,641</u>	<u>4,085,357</u>
Operating expenses:				
Operations	<u>1,342,994</u>	<u>1,246,537</u>	<u>725,784</u>	<u>3,315,315</u>
Total operating expenses	<u>1,342,994</u>	<u>1,246,537</u>	<u>725,784</u>	<u>3,315,315</u>
Operating income before depreciation	624,128	158,057	(12,143)	770,042
Depreciation expense	<u>(792,445)</u>	<u>(847,172)</u>	<u>-</u>	<u>(1,639,617)</u>
Operating income(loss)	<u>(168,317)</u>	<u>(689,115)</u>	<u>(12,143)</u>	<u>(869,575)</u>
Non-operating revenue(expense) and transfers:				
Investment earnings	87,451	87,450	-	174,901
Other revenue	38,722	11,321	7,610	57,653
Interest expense	(64,169)	(36,152)	-	(100,321)
Transfers – operations (Note 11)	<u>-</u>	<u>(48,828)</u>	<u>-</u>	<u>(48,828)</u>
Total non-operating, net and transfers	<u>62,004</u>	<u>13,791</u>	<u>7,610</u>	<u>83,405</u>
Capital contributions:				
Capital grant	-	-	95,649	95,649
Capacity fees	497,451	789,879	-	1,287,330
Developer fees	<u>10,855</u>	<u>10,855</u>	<u>-</u>	<u>21,710</u>
Total capital contributions	<u>508,306</u>	<u>800,734</u>	<u>95,649</u>	<u>1,404,689</u>
Change in net position	<u>401,993</u>	<u>125,410</u>	<u>91,116</u>	<u>618,519</u>
Net position:				
Beginning of year	<u>14,441,433</u>	<u>9,000,804</u>	<u>44,450</u>	<u>23,486,687</u>
End of year	<u>\$ 14,843,426</u>	<u>\$ 9,126,214</u>	<u>\$ 135,566</u>	<u>\$ 24,105,206</u>

HEBER PUBLIC UTILITY DISTRICT
Statements of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2025

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from customers and others	\$ 1,606,002	\$ 890,688	\$ 716,059	\$ 3,212,749
Cash paid to employees for salaries and wages	(441,392)	(501,201)	(31,909)	(974,502)
Cash paid to vendors and suppliers	(766,547)	(567,708)	(826,331)	(2,160,586)
Net cash provided by (used in) operating activities	<u>398,063</u>	<u>(178,221)</u>	<u>(142,181)</u>	<u>77,661</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(782,718)	(141,205)	(52,984)	(976,907)
Proceeds from capital contributions	508,306	800,734	-	1,309,040
Proceeds from capital grants	-	-	95,649	95,649
Transfer (to)from other funds	-	(48,828)	-	(48,828)
Principal payments on long-term debt	(332,703)	(174,652)	-	(507,355)
Interest payments on long-term debt	(64,388)	(36,347)	-	(100,735)
Net cash provided by (used in) capital/financing activities	<u>(671,503)</u>	<u>399,702</u>	<u>42,665</u>	<u>(229,136)</u>
Cash flows from investing activities:				
Investment earnings	85,717	85,716	-	171,433
Net cash provided by investing activities	<u>85,717</u>	<u>85,716</u>	<u>-</u>	<u>171,433</u>
Net increase(decrease) in cash	(187,723)	307,197	(99,516)	19,958
Cash and cash equivalents:				
Beginning of year	2,936,061	1,427,504	123,000	4,486,565
End of year	<u>\$ 2,748,338</u>	<u>\$ 1,734,701</u>	<u>\$ 23,484</u>	<u>\$ 4,506,523</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	<u>\$ (168,317)</u>	<u>\$ (689,115)</u>	<u>\$ (12,143)</u>	<u>\$ (869,575)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	792,445	847,172	-	1,639,617
Other non-operating revenue	38,722	11,321	7,610	57,653
Changes in account balances:				
(Increase)decrease in assets:				
Accounts receivable – services, net	17,916	(5,032)	(5,044)	7,840
Accounts receivable – other	7,519	-	-	7,519
Lease receivable	(44,602)	(44,602)	-	(89,204)
Prepays	-	(25,677)	-	(25,677)
(Increase)decrease in deferred outflows of res.	65,296	65,119	4,533	134,948
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	62,519	22,292	(145,383)	(60,572)
Customer deposits and unearned revenue	(380,675)	(449,916)	(148)	(830,739)
Compensated absences	(21,305)	61,625	9,577	49,897
Net pension liability	(8,965)	(8,940)	(622)	(18,527)
Increase(decrease) in deferred inflows of res.	37,510	37,532	(561)	74,481
Total adjustments	<u>566,380</u>	<u>510,894</u>	<u>(130,038)</u>	<u>947,236</u>
Net cash provided by (used in) operating activities	<u>\$ 398,063</u>	<u>\$ (178,221)</u>	<u>\$ (142,181)</u>	<u>\$ 77,661</u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Net Position – Fiduciary Fund
June 30, 2025

<u>Assets</u>	<u>Custodial Fund</u>
Current assets:	
Cash and investments (Note 2)	\$ 579,826
Total current assets	<u>579,826</u>
Non-current assets:	
Due from property owners	<u>352,150</u>
Total non-current assets	<u>352,150</u>
Total assets	<u><u>\$ 931,976</u></u>
<u>Liabilities and Net Position</u>	
Current liabilities:	
Accounts payable	\$ 1,976
Bonds payable - current portion	<u>70,000</u>
Total current liabilities	<u>71,976</u>
Non-current liabilities:	
Bonds payable - non-current portion	<u>860,000</u>
Total non-current liabilities	<u>860,000</u>
Total liabilities	<u>931,976</u>
Net position:	
Total net position	<u>-</u>
Total liabilities and net position	<u><u>\$ 931,976</u></u>

HEBER PUBLIC UTILITY DISTRICT
Statement of Changes in Net Position – Fiduciary Fund
For the Fiscal Year Ended June 30, 2025

	Custodial Fund
Additions:	
Special assesment taxes	\$ 44,533
Interest income	18,000
Total revenues	62,533
Deductions:	
Administration	11,313
Interest expense	51,220
Total expenses	62,533
Change in net position	-
Net position:	
Beginning of year	-
End of year	\$ -

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The reporting entity, Heber Public Utility District (District), includes the accounts of the District and the Heber Public Utility Financing Corporation (HPUFC). The District was formed in 1931 under the Public Utility Act of 1921. The District was given the authority to function as a legal entity with powers similar to those of a city administrative body.

Raw water used by the District is supplied by the Central Main Canal via the Dogwood Canal, both of which are under the jurisdiction of the Imperial Irrigation District. The water is drawn from the canal, treated, used by the community, and then re-treated in the HPUD sewage treatment plant, and lastly the water is disposed of via agricultural drainage canals to the Salton Sea. Prior to 1972, when the first water treatment plant was completed, raw canal water was chlorinated by HPUD as a major part of the potable treatment process. Currently, the water treatment plant can now treat over 4,000,000 gallons of water per day. Prior to 1968, sewage treatment needs in the city of Heber were met through the use of septic tanks. Heber's first sewage treatment plant was completed in 1968 with a design capacity of 150,000 gallons per day. In 1981, a new sewage treatment plant was built, which more than doubled the previous treatment plant's operating capacity. The District completed an expansion project in 2013, which gave the District capacity of 1,200,000 gallons per day.

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

B. Reporting Entity

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

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

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

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

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

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

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

Fund Financial Statements

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

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

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

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

Major Governmental Funds

The District maintains the following major governmental funds:

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

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

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

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

1. Basis of Presentation (continued)

Proprietary Funds

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

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

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

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

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

3. Revenues - Exchange and Non-Exchange Transactions

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

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

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

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

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

3. Receivables – Services

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

4. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

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

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

4. Lease Receivable and Deferred Inflows of Resources (continued)

The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. Prepaid Items

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

6. Capital Assets

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

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

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

8. Compensated Absences

In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

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

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

8. Compensated Absences (continued)

Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the District's policies related to compensated absences. The measurement of compensated absences includes salary-related payment such as the employer portion of Medicare and Social Security taxes.

9. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and addition to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

Valuation Date June 30, 2023

Measurement Date June 30, 2024

Measurement Period July 1, 2023 to June 30, 2024

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

10. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

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

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

11. Fund Balances

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

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

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

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

E. Use of Estimates

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

F. Capital Contributions

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

G. Property Taxes

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

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

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

H. New Pronouncements–Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2025, the District has implemented new GASB pronouncements as follows:

GASB Statement No. 101 – Compensated Absences

This GASB Statement amends the definition of a compensated absence to encompass the various types of benefits offered by governmental employees and establishes a unified model for accounting and reporting. The statement also revises the related financial statement disclosure requirements, including eliminating certain disclosures previously required that GASB research found did not provide essential information to financial statement users. The GASB statement applies to all units of state and local governments. The District adopted the Statement as of July 1, 2024. See Note 6 for the effect of this Statement.

GASB Statement No. 102 – Certain Risk Disclosures

This GASB Statement requires state and local governments to disclose vulnerabilities due to certain concentrations and constraints that could significantly impact their financial health. A concentration refers to a dependency on a specific source—such as a major revenue stream, customer, supplier, or workforce—while a constraint involves legal, regulatory, contractual, or other external limitations that restrict an entity’s ability to respond to those risks. If these factors make the government vulnerable to a near-term severe impact, disclosure is required in the notes to the financial statements. The goal of Statement No. 102 is to improve transparency and provide users with better insight into potential risks that could affect a government's financial condition. The District adopted the Statement as of July 1, 2024. See Note 13 for the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments on the financial statements were as follows:

<u>Description</u>	<u>Balance</u>
Cash and cash equivalents	\$ 4,510,473
Cash and cash equivalents with fiscal agent – fiduciary	579,826
Total	<u>\$ 5,090,299</u>

Cash and investments at June 30, 2025, consist of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 100
Demand deposits held with financial institutions	756,427
Local Agency Investment Fund (LAIF)	3,753,946
Investments – money market mutual funds – fiduciary	579,826
Total	<u>\$ 5,090,299</u>

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits

At June 30, 2025, the carrying amount of the District's demand deposits was \$756,427 and the financial institution balance was \$778,226. The \$21,799 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

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

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

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). As of June 30, 2025, none of the District's bank balance was exposed to custodial credit risk.

Local Agency Investment Fund (LAIF)

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

Local Agency Investment Fund (LAIF) (continued)

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2025, the District held \$3,753,946 in LAIF.

Investments

Investments as of June 30, 2025 consisted of the following:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Maturity</u> <u>12 Months or Less</u>
Money market mutual funds	Level 1	N/A	\$ 579,826	\$ 579,826
Total investments			<u>\$ 579,826</u>	<u>\$ 579,826</u>

Authorized Investments and Investment Policy

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

Fair Value Measurement Input

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Interest Rate Risk

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

Concentration of Credit Risk

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 3 – ACCOUNTS RECEIVABLE – SERVICES

Accounts receivable – services at June 30, 2025, consist of the following:

<u>Description</u>	<u>June 30, 2025</u>
Accounts receivable – services	\$ 563,427
Allowance for doubtful accounts	<u>(20,000)</u>
Total accounts receivable, net	<u>\$ 543,427</u>

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

Changes in the District’s lease receivable for the year ended June 30, 2025 was as follows:

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2025</u>
Cellular antenna site rental	<u>\$ 20,989</u>	<u>\$ 110,193</u>	<u>\$ (20,989)</u>	<u>\$ 110,193</u>

The District is reporting a total lease receivable of \$110,193 and a total related deferred inflows of resources of \$110,193 for the year ending June 30, 2025. Also, the District is reporting total lease revenue of \$19,009 and interest revenue of \$108 related to lease payments received for the years ending June 30, 2025.

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

Cellular Antenna Site Rental

The District, on June 30, 2024, renewed a continuous lease for 60 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$110,193. As of June 30, 2025, the value of the lease receivable was \$110,193. The lease is required to make monthly fixed payments of \$1,786 for the first 12-month period, then increasing 3.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$110,193 as of June 30, 2025. The District recognized lease revenue of \$19,009 and interest revenue of \$108 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

HEBER PUBLIC UTILITY DISTRICT*Notes to Financial Statements**June 30, 2025***NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 19,832	\$ 2,024	\$ 21,856
2027	20,890	1,618	22,508
2028	21,994	1,190	23,184
2029	23,144	740	23,884
2030	24,333	266	24,599
Total	110,193	\$ 5,838	\$ 116,031
Current	(19,832)		
Long-term	\$ 90,361		

Changes in the District's deferred inflows of resources related to leases for June 30, 2025 is as follows:

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2025</u>
Cellular antenna site rental	\$ 19,009	\$ 110,193	\$ (19,009)	\$ 110,193

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2025, will be amortized in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Inflows of Resources</u>
2026	\$ 22,039
2027	22,039
2028	22,039
2029	22,038
2030	22,038
Total	\$ 110,193

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 5 – CAPITAL ASSETS

At June 30, 2025, fund balances of the District’s governmental funds were classified as follows:

	Balance July 1, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Non-depreciable assets:				
Land	\$ 511,367	\$ -	\$ -	\$ 511,367
Construction-in-progress	1,046,300	897,112	-	1,943,412
Total non-depreciable assets	<u>1,557,667</u>	<u>897,112</u>	<u>-</u>	<u>2,454,779</u>
Depreciable assets:				
Buildings	1,503,587	-	-	1,503,587
Machinery and equipment	414,813	28,588	-	443,401
Fixtures and furniture	56,454	14,543	-	70,997
Computer equipment	31,533	-	-	31,533
Total depreciable assets	<u>2,006,387</u>	<u>43,131</u>	<u>-</u>	<u>2,049,518</u>
Accumulated depreciation:				
Buildings	(369,785)	(45,205)	-	(414,990)
Machinery and equipment	(236,387)	(37,083)	-	(273,470)
Fixtures and furniture	(46,972)	(1,896)	-	(48,868)
Computer equipment	(10,978)	(8,810)	-	(19,788)
Total accumulated depreciation	<u>(664,122)</u>	<u>(92,994)</u>	<u>-</u>	<u>(757,116)</u>
Total depreciable assets, net	<u>1,342,265</u>	<u>(49,863)</u>	<u>-</u>	<u>1,292,402</u>
Total capital assets, net	<u>\$ 2,899,932</u>	<u>\$ 847,249</u>	<u>\$ -</u>	<u>\$ 3,747,181</u>

Depreciation expense was charged to governmental activities as follows:

Parks and recreation	<u>\$ 92,994</u>
Total	<u>\$ 92,994</u>

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 5 – CAPITAL ASSETS (continued)

At June 30, 2025, fund balances of the District’s enterprise funds were classified as follows:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2025</u>
Non-depreciable assets:				
Land	\$ 512,276	\$ -	\$ -	\$ 512,276
Construction-in-progress	4,408	55,390	-	59,798
Total non-depreciable assets	<u>516,684</u>	<u>55,390</u>	<u>-</u>	<u>572,074</u>
Depreciable assets:				
Structures and improvements	912,413	-	-	912,413
Machinery and equipment	1,199,262	110,613	-	1,309,875
Infrastructure	49,810,402	810,904	-	50,621,306
Computer equipment	160,465	-	-	160,465
Total depreciable assets	<u>52,082,542</u>	<u>921,517</u>	<u>-</u>	<u>53,004,059</u>
Accumulated depreciation:				
Structures and improvements	(506,112)	(58,009)	-	(564,121)
Machinery and equipment	(618,321)	(82,967)	-	(701,288)
Infrastructure	(21,109,345)	(1,488,314)	-	(22,597,659)
Computer equipment	(110,185)	(10,327)	-	(120,512)
Total accumulated depreciation	<u>(22,343,963)</u>	<u>(1,639,617)</u>	<u>-</u>	<u>(23,983,580)</u>
Total depreciable assets, net	<u>29,738,579</u>	<u>(718,100)</u>	<u>-</u>	<u>29,020,479</u>
Total capital assets, net	<u>\$ 30,255,263</u>	<u>\$ (662,710)</u>	<u>\$ -</u>	<u>\$ 29,592,553</u>

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

Business-type Activities:	
Water	\$ 792,445
Wastewater	847,172
Total	<u>\$ 1,639,617</u>

NOTE 6 – COMPENSATED ABSENCES

Summary changes to the compensated absences balance at June 30, 2025 were as follows:

<u>Balance July 1, 2024</u>	<u>Net Change</u>	<u>Balance June 30, 2025</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 219,733	\$ 73,569	\$ 293,302	\$ 146,651	\$ 146,651

As of June 30, 2025, the total liability for compensated absences was \$293,302, of which \$146,651 is expected to be paid within one year and is reported as a current liability. The beginning balance of compensated absences as of July 1, 2024, reflected an immaterial difference upon implementation of GASB Statement No. 101; therefore, no restatement was required.

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 7 – LONG-TERM DEBT

Changes in long-term debt amounts for the fiscal year ended June 30, 2025 were as follows:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2025</u>
Business-type activities:				
Water fund:				
2009 U.S.D.A. Certificates of Participation	\$ 2,450,000	\$ -	\$ (90,000)	\$ 2,360,000
2015 SRF Water Treatment Improvement Loan	3,883,291	-	(242,703)	3,640,588
Wastewater fund:				
2012 SRF Wastewater Treatment Expansion Loan	<u>3,634,657</u>	<u>-</u>	<u>(174,652)</u>	<u>3,460,005</u>
Total	9,967,948	<u>\$ -</u>	<u>\$ (507,355)</u>	9,460,593
Less: current portion due	<u>(426,454)</u>			<u>(428,200)</u>
Long-term portion due	<u>\$ 9,541,494</u>			<u>\$ 9,032,393</u>

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

Certificates of Participation with a principal amount not to exceed \$3,533,000 were issued July 20, 2009, bearing an interest rate of 2.63%, and mature June 1, 2049. The Certificates of Participation were issued to secure the loan from the U.S.D.A. RDA and to provide financing for the acquisition and installation of certain water system improvements. The principal amount outstanding at June 30, 2025, was \$2,360,000. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 90,000	\$ 61,950	\$ 151,950
2027	90,000	59,588	149,588
2028	90,000	57,225	147,225
2029	90,000	54,863	144,863
2030	100,000	52,500	152,500
2031-2035	500,000	223,125	723,125
2036-2040	500,000	157,500	657,500
2041-2045	500,000	91,875	591,875
2046-2050	<u>400,000</u>	<u>26,250</u>	<u>426,250</u>
Total	2,360,000	<u>\$ 784,876</u>	<u>\$ 3,144,876</u>
Less: Current	<u>(90,000)</u>		
Long-term	<u>\$ 2,270,000</u>		

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 7 – LONG-TERM DEBT (Continued)

2015 SRF Water Treatment Improvement Loan

On April 29, 2015, the District entered into a loan agreement to receive up to \$4,850,000 from the California State Water Resources Control Board to fund improvements to the water treatment plant. As of June 30, 2021, \$4,848,998 of the loan proceeds has been drawn down and utilized. The loan bears no interest and is payable in annual payments of \$161,802. The loan matures in January 2048. The principal amount outstanding at June 30, 2025, was \$3,640,588. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 161,802	\$ -	\$ 161,802
2027	161,802	-	161,802
2028	161,802	-	161,802
2029	161,802	-	161,802
2030	161,802	-	161,802
2031-2035	809,010	-	809,010
2036-2040	809,010	-	809,010
2041-2045	809,010	-	809,010
2046-2050	404,548	-	404,548
Total	3,640,588	\$ -	\$ 3,640,588
Less: Current	<u>(161,802)</u>		
Long-term	<u>\$ 3,478,786</u>		

2012 SRF Wastewater Treatment Expansion Loan

This obligation is with the California State Water Resources Control Board - State Revolving Fund with a principal amount not to exceed \$11,411,131. The net revenues of the Wastewater Fund are pledged to secure this obligation. The obligation is for providing financing for the acquisition and installation of improvements for the wastewater treatment plant. The interest rate is 1.00%, and the loan matures on May 20, 2043. The principal amount outstanding at June 30, 2025, was \$3,460,005. Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 176,398	\$ 34,600	\$ 210,998
2027	178,162	32,836	210,998
2028	179,944	31,054	210,998
2029	181,743	29,255	210,998
2030	183,561	27,437	210,998
2031-2035	945,707	109,284	1,054,991
2036-2040	993,948	61,043	1,054,991
2041-2045	620,542	12,452	632,994
Total	3,460,005	\$ 337,961	\$ 3,797,966
Less: Current	<u>(176,398)</u>		
Long-term	<u>\$ 3,283,607</u>		

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 8 – PENSION PLAN

Summary

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

<u>Description</u>	<u>2025</u>
Pension related deferred outflows	\$ 450,284
Net pension liability	1,191,635
Pension related deferred inflows	51,214

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

A. General Information about the Pension Plan

The Plan

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

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	On or after <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates FY 2025	13.340%	7.870%

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2023 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2024 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	6	8	14
Transferred and terminated members	6	11	17
Retired members and beneficiaries	10	-	10
Total plan members	22	19	41

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

Benefits Provided

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

Contributions

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

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contributions for the year ended June 30, 2025, (Measurement Date June 30, 2024) were as follows:

<u>Contribution Type</u>	<u>Miscellaneous Plans</u>		
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>	<u>Total</u>
Contributions – employer	\$ 142,467	\$ 42,484	\$ 184,951
Contributions – members	28,033	40,718	68,751
Total contributions	\$ 170,500	\$ 83,202	\$ 253,702

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

Proportionate Share of Net Pension Liability and Pension Expense

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2024, 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, 2023, rolled forward to June 30, 2024, using standard update procedures. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the year ended June 30, 2024, measurement date was as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2023 (Measurement Date)	\$ 5,834,451	\$ 4,621,384	\$ 1,213,066
Balance as of June 30, 2024 (Measurement Date)	\$ 6,277,104	\$ 5,085,470	\$ 1,191,633
Change in Plan Net Pension Liability	\$ 442,653	\$ 464,086	\$ (21,433)

The District’s proportionate share percentage of the net pension liability for the June 30, 2024, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2025</u>	<u>Fiscal Year Ending June 30, 2024</u>	
Measurement Date	June 30, 2024	June 30, 2023	
Percentage of Risk Pool Net Pension Liability	0.024638%	0.024259%	0.000379%

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
 June 30, 2025

NOTE 8 – PENSION PLAN (continued)

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

For the year ended June 30, 2025, the District recognized pension expense of \$300,301. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 184,951	\$ -
Difference between actual and proportionate share of employer contributions	-	(47,194)
Adjustment due to differences in proportions	63,077	-
Differences between expected and actual experience	103,028	(4,020)
Differences between projected and actual earnings on pension plan investments	68,601	-
Changes in assumptions	30,627	-
Total Deferred Outflows/(Inflows) of Resources	\$ 450,284	\$ (51,214)

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

An amount of \$184,951 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2026	\$ 85,276
2027	152,273
2028	79
2029	(23,509)
Total	\$ 214,119

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 8 – PENSION PLAN (continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023, total pension liability. The June 30, 2024, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

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

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

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

² Figures are based on the Asset Liability Management study.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 8 – PENSION PLAN (continued)

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

Discount Rate

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

Subsequent Events

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

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
5.90%	Rate 6.90%	7.90%
\$ 2,038,670	\$ 1,191,633	\$ 494,400

Pension Plan Fiduciary Net Position

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

HEBER PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 9 – NET INVESTMENT IN CAPITAL ASSETS

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

<u>Description</u>	<u>Amount</u>
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 3,026,853
Capital assets – being depreciated, net	30,312,881
Long-term debt payable – current portion	(428,200)
Long-term debt payable – long-term portion	<u>(9,032,393)</u>
Total net investment in capital assets	<u><u>\$ 23,879,141</u></u>

NOTE 10 – FUND BALANCE

A detailed schedule of fund balances and their funding composition at June 30, 2025 is as follows:

<u>Description</u>	<u>General Government</u>
Assigned:	
Compensated absences	\$ 46,176
Unassigned	<u>(303,152)</u>
Total fund balance	<u><u>\$ (256,976)</u></u>

NOTE 11 – INTERFUND TRANSACTIONS

Transfers To/From Other Funds

Interfund transfers for the year ended June 30, 2025, consisted of a transfer of \$48,828, from the Wastewater Fund to the Parks and Recreation Fund to compensate for property now held by the Wastewater Fund as follows:

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

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 12 – RISK MANAGEMENT

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

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

A. Entity	SDRMA	
B. Purpose	To provide risk financing and risk management services to California public agencies	
C. Participants	As of June 30, 2025 – 512 member agencies	
D. Governing board	Seven representatives employed by members	
E. District payments for FY 2025:		
Property/Liability policy	\$182,864	
Workers' compensation policy	\$36,793	
F. Condensed financial information	June 30, 2025	
Statement of net position:		June 30, 2025
Total assets		<u>\$ 185,602,180</u>
Deferred outflows		<u>1,361,901</u>
Total liabilities		<u>78,502,352</u>
Deferred inflows		<u>332,457</u>
Net position		<u><u>\$ 108,129,272</u></u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 136,035,247
Total expenses		<u>(113,092,341)</u>
Change in net position		22,942,906
Beginning - net position		85,186,366
Ending - net position		<u><u>\$ 108,129,272</u></u>
G. Member agencies share of year-end financial position		Not Calculated

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 12 – RISK MANAGEMENT (continued)

At June 30, 2025, the District participated in the liability and property programs of the SDRMA as follows:

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

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

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

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2025, 2024 and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2025, 2024 and 2023.

NOTE 13 – RISK DISCLOSURE: CONCENTRATION OF REVENUE SOURCE (GASB STATEMENT NO. 102)

The District is subject to systematic risk due to receiving over 31% of its revenue from water sales. This dependence exposes the District to potential service interruptions or financial impacts in the event of drought conditions, regulatory restrictions, or contamination of the water source. Although the District has contingency plans and infrastructure in place to supplement supply in emergencies, such alternatives may not fully meet demand or could result in significant additional costs.

The District continues to evaluate and implement diversification strategies, including the development of groundwater recharge projects, recycled water programs, and rate structure adjustments to mitigate these concentration risks. In accordance with GASB Statement No. 102, Risk Disclosures, this note serves to disclose the concentration of revenue and associated risks that could significantly impact the District's financial position and results of operations.

HEBER PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

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

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

Grant Awards

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

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided by a combination of debt proceeds, the District's replacement reserves and capital contributions. As of June 30, 2025, the District had approximately \$378,338 in open construction contracts related to projects in construction-in-process.

Litigation

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

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 15, 2026, the date on which the financial statements were available to be issued.

Required Supplementary Information

HEBER PUBLIC UTILITY DISTRICT*Budgetary Comparison Schedule – Parks and Recreation Fund
For the Fiscal Year Ended June 30, 2025*

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes	\$ 454,200	\$ 394,900	\$ (59,300)
Charges for services	155,000	150,875	(4,125)
Grants and contributions	1,609,490	585,318	(1,024,172)
Investment earnings	37,000	43,725	6,725
Other revenues	297,021	5,359	(291,662)
Total revenues	<u>2,552,711</u>	<u>1,180,177</u>	<u>(1,372,534)</u>
Expenditures:			
Current:			
Park maintenance and other expenses	624,200	605,701	18,499
Capital outlay	33,500	940,243	(906,743)
Total expenditures	<u>657,700</u>	<u>1,545,944</u>	<u>(888,244)</u>
Revenues over(under) expenditures	1,895,011	(365,767)	(2,260,778)
Other financing sources(uses):			
Transfers in(out)	48,900	48,828	(72)
Total other financing sources(uses)	<u>48,900</u>	<u>48,828</u>	<u>(72)</u>
Change in fund balance	<u>\$ 1,943,911</u>	(316,939)	<u>\$ (2,260,850)</u>
FUND BALANCES:			
Beginning of year		<u>56,013</u>	
End of year		<u>\$ (260,926)</u>	

HEBER PUBLIC UTILITY DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2025*

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's	
				Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2015	0.01627%	\$ 446,488	\$ 745,373	59.90%	83.52%
June 30, 2016	0.00715%	618,291	760,005	81.35%	74.06%
June 30, 2017	0.01848%	728,493	764,649	95.27%	73.31%
June 30, 2018	0.01841%	693,869	775,142	89.52%	81.76%
June 30, 2019	0.01932%	773,644	787,336	98.26%	81.26%
June 30, 2020	0.02046%	862,916	682,572	126.42%	80.58%
June 30, 2021	0.01665%	316,118	751,572	42.06%	93.52%
June 30, 2022	0.02306%	1,079,166	808,512	133.48%	79.93%
June 30, 2023	0.02426%	1,213,066	864,050	140.39%	79.21%
June 30, 2024	0.02464%	1,191,633	871,719	136.70%	81.02%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

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

From fiscal years June 30, 2018 to June 30, 2022:

There were no significant changes in assumptions.

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

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

From fiscal year June 30, 2023 to June 30, 2025:

There were no significant changes in assumptions.

HEBER PUBLIC UTILITY DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2016	\$ 96,505	\$ (96,505)	\$ -	\$ 760,005	12.70%
June 30, 2017	102,345	(102,345)	-	764,649	13.38%
June 30, 2018	104,690	(104,690)	-	775,142	13.51%
June 30, 2019	114,899	(114,899)	-	787,336	14.59%
June 30, 2020	121,496	(121,496)	-	682,572	17.80%
June 30, 2021	136,114	(136,114)	-	751,572	18.11%
June 30, 2022	148,771	(148,771)	-	808,512	18.40%
June 30, 2023	166,851	(166,851)	-	864,050	19.31%
June 30, 2024	165,355	(165,355)	-	871,719	18.97%
June 30, 2025	184,951	(184,951)	-	875,819	21.12%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%
June 30, 2024	June 30, 2022	Entry Age	Fair Value	2.30%	6.90%
June 30, 2025	June 30, 2023	Entry Age	Fair Value	2.30%	6.90%

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment expense, including inflation

Retirement Age

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

Mortality

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

Other Independent Auditors' Report



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

Board of Directors
Heber Public Utility District
Heber, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Heber Public Utility District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Murrieta, California
January 15, 2026