

IMPERIAL CENTER UTILITY ALTERNATIVES

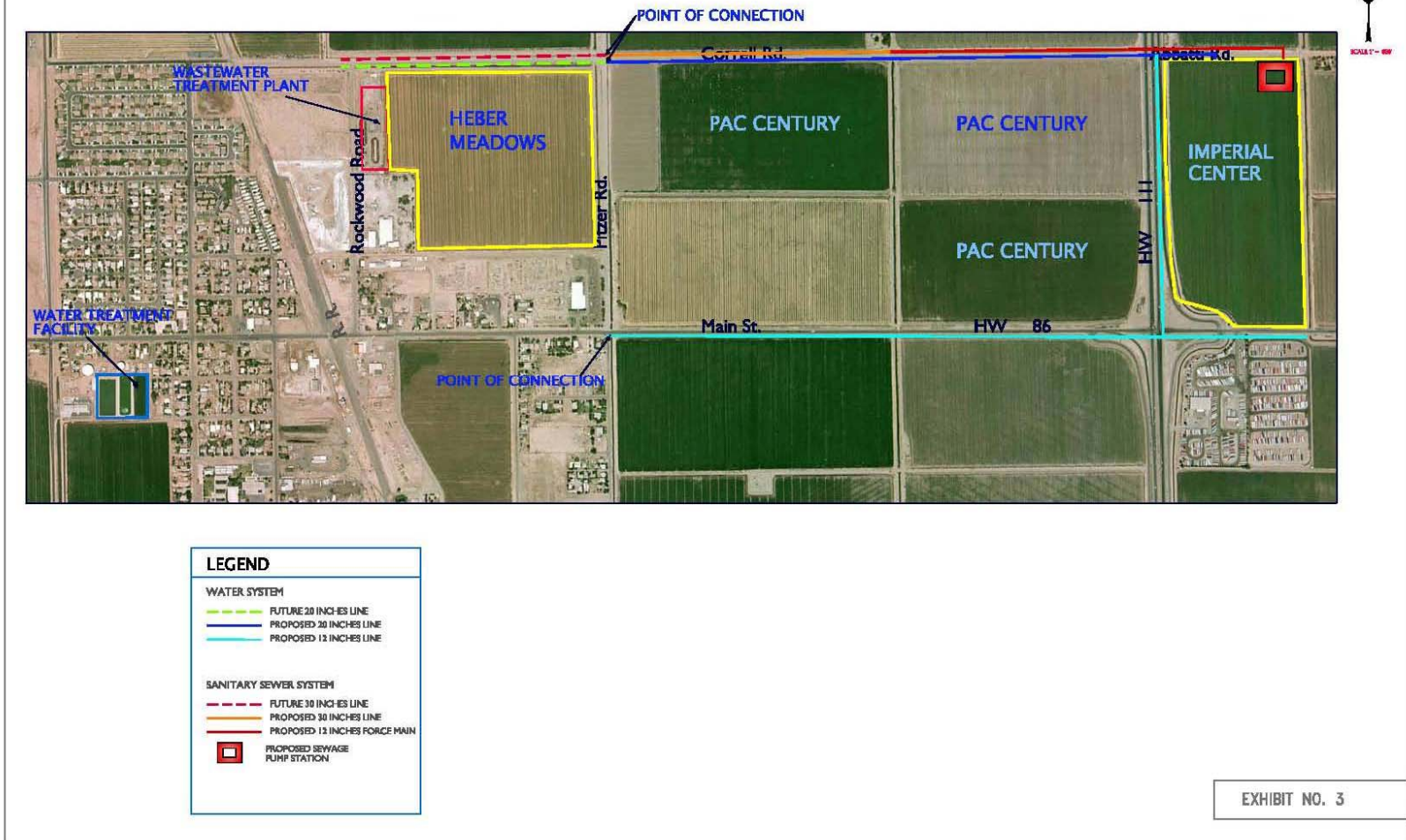
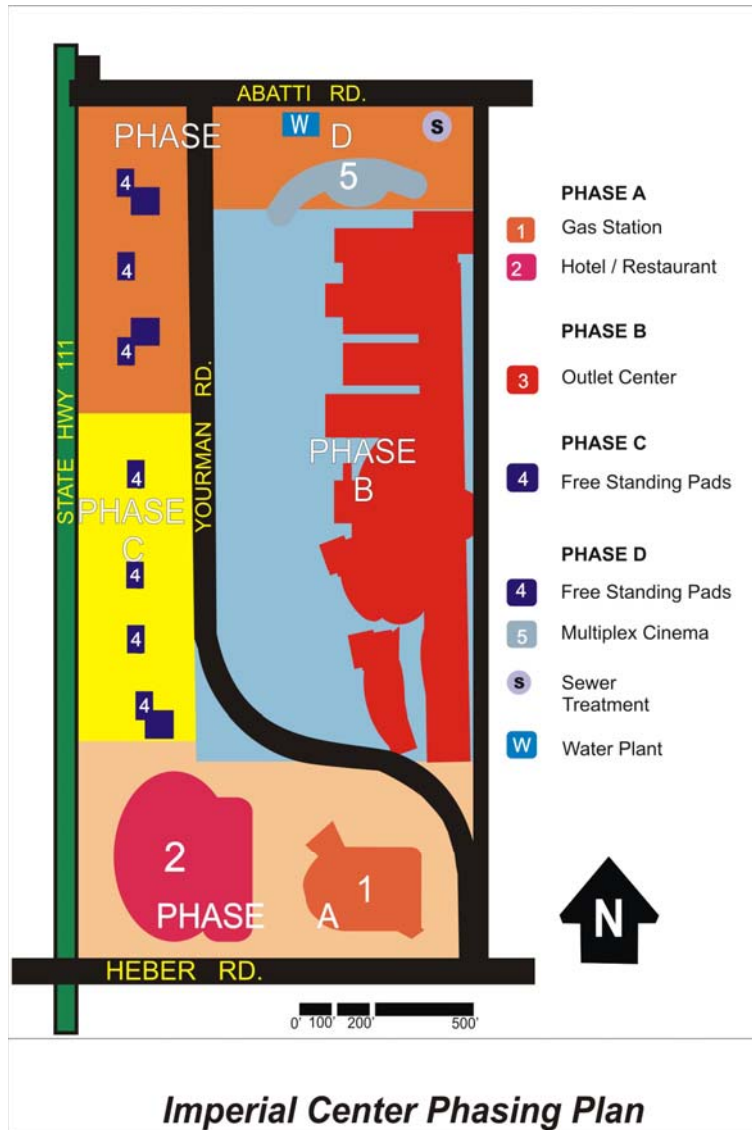


Figure 8-D – Sewer & Water System – Alternative Three

9. PHASING

The Imperial Center is planned for a five-phase development over the next 5-10 years as shown in *Figure 9-A and Table 9-1*.



*Figure 9 – A
Imperial Center Phasing Plan*

The phasing time will vary due to the changing market demand and economic conditions. The starting period for each phase depends on the provision of each required infrastructure and improvements. The first phase is scheduled to begin in 2007. The next stages will start at varied times depending on market demand. *Table 9-1* outlines the four improvement phases for the Imperial Center:

<i>Table 9-1 Phasing Plan</i>				
	Phase A (2007)	Phase B (2008 – 11)	Phase C (2007 – 13)	Phase D (2010 – 15)
Project	Gas Station and hotel restaurant	Outlet Mall	Development of five pads	Development of six pads and Cinema Complex
Water	Heber Utilities	Heber Utilities	Heber Utilities	Heber Utilities
Reclaimed Water	All improvements	-	-	-
Sewer	Interim wastewater facility	Interim wastewater facility	Connect to Heber Utility Sewer system	Connect to Heber Utility Sewer system
State Route 111	All improvements	-	-	-
State Route 86	All improvements	-	-	-
Heber Road	All improvements	-	-	-
Yourman Road	-	All Improvements	-	-
Abatti Road	-	All improvements		
Storm drain	All improvements	-	-	-
Landscaping	Landscaping for fuel and hotel restaurant	Landscaping for Outlet Mall	Landscaping for five pads	Landscaping for remainder of project area

Objective

The primary objective of the phasing plan for the Imperial Center Specific Planning Area is to insure that all necessary public facilities and services are provided in an efficient and cost effective manner concurrent with need during the entire development period of the project.

For the purposes of planning and evaluation the implementation of the project, it has been assumed that Imperial Center will develop in four phases over a period of nine years.

Phase A

Phase A consists of the construction and/or installation of the basic backbone facilities required to support the development of the gas station/convenient store, hotel and restaurant.

Water: Water shall be provided by the Heber Public Utility District or a temporary water plant will be constructed on-site and operated by HPUD.

Sewer: As described within Chapter 8, the Imperial Center will receive its sewer service from HPUD or construct its own temporary sewer plant. This will take place in Phase A. This Specific Plan also allows for temporary septic and leach field system as permitted by the Imperial County Department of Health Services. Chapter 8 provides more specific detail concerning this system.

Dry Utilities: All dry utilities will be installed in the same manner as water and sewer in that it will maintain the capacity and integrity of the backbone infrastructure master plans while servicing reduced core land uses adjacent to initial road improvements.

Phases B - D

The primary goal of the subsequent phases implementation program is to encourage the establishment of a central infrastructure core. Once established, this central infrastructure hub would serve as the basis for the development.

Following the installation of the Phase A backbone, the landowners and/or developers of subsequent phases may, through the mapping and development

review process, propose the extension infrastructure to their area(s), adjacent or not, based upon compliance with the following review criteria. The proposed extension project shall:

- Demonstrate consistency with the terms and provisions of this Specific Plan (i.e.: land use, circulation, infrastructure, etc.) as well as the County Zoning Ordinance and General Plan;
- Be reviewed for compliance with the California Environmental Quality Act (CEQA):
- If within a "special district" sphere of influence, request annexation, as required, into that district prior to issuance of development permits (i.e.: CSA, CFD, etc.)
- If not abutting an existing previous development phase, acquire all offsite easements and /or right-of-way as may be required to allow the extension of required services from their existing termination point;
- If not abutting an existing previous development phase, the extension of infrastructure shall be sized to accommodate the later connection of all interviewing development phases;
- Bear the full cost of the extension of facilities until such time as a Reimbursement Agreement may provide recovery of costs through the collection of fees from subsequent developments.

10. IMPLEMENTATION MEASURES

This section provides tools to implement the Specific Plan. The three sub-sections that are covered in this section are:

Administration and Enforcement;
Infrastructure Financing; and
Mitigation Measures;

ADMINISTRATION AND ENFORCEMENT

1. Overseeing Agencies

The procedures, regulations and standards included in the Imperial Center Specific Plan and Environmental Determination will be administered and enforced by the following agencies:

a. County of Imperial

- i. Planning & Development Services Department
- ii. Public Works Department
- iii. Fire Department
- iv. Sheriff's Department

b. Heber Public Utility District

- i. Water services
- ii. Sewer services

c. Imperial Irrigation District

- i. Electricity

d. Cal-Trans

- i. State Highway 111
- ii. State Highway 86

2. Concurrent Approvals

Plans and documents that have been prepared and will be processed concurrently with the Imperial Center Specific Plan to include the following:

- a. A subdivision map application.
- b. An amended Heber Utility Service Area Plan per LAFCo actions.

These documents, in combination with the Imperial Center Specific Plan, form the primary framework to guide future development within the Imperial Center project area.

3. Development Review

Projects that are submitted to the Planning & Development Services Department for construction will be reviewed to ensure that they meet the guidelines and standards as set forth within this Specific Plan document. Any submittal for a building permit must include any additional information as required by the County of Imperial.

4. Development Review Process

Imperial County is responsible for the administration of this Specific Plan in the review and processing of individual development project applications intended to implement said plan. All proposed development shall be subject to an approval process.

All proposed development applications shall be submitted on forms provided by the County. Processing fees shall be those fees prescribed by the County that is in effect as of the date of acceptance of said application.

These review processes are more fully explained as follows:

a. Pre-application Process

The Planning & Development Services Department encourages that all potential applicants request a reapplication conference in order to review development proposals prior to filing of a formal application. The purpose of this conference is to acquaint the County with the intentions of the applicant, to acquaint the applicant with any applicable Specific Plan policies and procedures, to identify County Codes and improvement standards applicable to the proposal, and to identify any known significant development opportunities and/or constraints on the proposed site.

b. Subdivision Map

Development of the Imperial Center will be implemented in part through a series of tentative maps, approval submitted to create development lots or parcels. As mentioned previously, a series of master tentative maps have been filed and will be processed concurrently with this Plan. Implementation of this Plan will require the final mapping of these areas and/or the tentative and final mapping of areas outside the initial mapping area.

Subdivision Maps shall be processed and reviewed pursuant to the County's Subdivision Ordinance and the California Subdivision Map Act, and may only be approved if found to be in conformance with the provisions of the Specific Plan.

c. Discretionary/Ministerial Actions

All submittals shall be subject to the filing requirements as outlined in the County's Land Use Ordinance. Submitted plans shall be reviewed for conformance with the standard and guidelines contained in Section IV of this plan as well as all

other applicable County regulations. As a result, two types of actions are warranted:

i. Discretionary Action

Land uses requiring discretionary action are identified in "Uses Permitted by Conditional Permit" in Chapter V of this Specific Plan. Projects requiring a discretionary permit will be processed pursuant to the Imperial County Zoning Code and this document. Public notices shall include the entire Imperial Center Community, regardless of distance.

ii. Ministerial Action

All proposed projects requiring ministerial action shall be subject to Administrative Review by the Planning & Development Services Director or his or her designee. The purpose of Administrative Review is to ensure compliance with the Imperial Center Specific Plan (including the Design Guidelines and the Development Standards) and applicable sections of the Imperial County Zoning Code.

5. Specific Plan Conformance

Future development proposed at the Imperial Center project area will require land development permits for grading and building construction. County review of these permit applications shall ensure consistency of the proposed improvements with the design guidelines and development criteria outlined in this Specific Plan. Subdivision map requirements, public facilities financing plan and any relevant conditions of approval will also be applied to this project.

The Specific Plan Area will be developed in compliance with the criteria outlined in this Specific Plan and its companion documents and in accordance with the land use and zoning regulations of Imperial

County. In cases where discrepancies occur between the Specific Plan and Countywide development standards, the development guidelines contained in the Specific Plan shall prevail.

All proposed developments within the Imperial Center are subject to the provisions of the Imperial Center Specific Plan. Imperial County will review project submittals for consistency with the Specific Plan. In addition to any County of Imperial required determinations of approval of a given development application, the following determinations of approval also must be made:

- a. *The proposed project conforms to Imperial Center Specific Plan, including all applicable Development Standards and Design Guidelines.*
- b. *The proposed project is compatible with and enhances the established desired development character of the project area.*

6. Specific Plan Amendments And Minor Modifications

The Imperial Center development is expected to be phased over a period of approximately 10 or more years. It is anticipated that market conditions and development practices may change, thereby necessitating Specific Plan Amendments. Amendments may be initiated by an owner of private property within the project area or by the County.

The Planning & Development Services Director for the County of Imperial is responsible for interpreting the provisions of this plan. If the Planning & Development Services Director deems the Amendment major, it will be processed in the manner as a formal amendment to the original Specific Plan. Proposed amendments deemed to be minor modifications by the Planning & Development Services

Director, and as defined herein, will be processed administratively through the Administrative Permit process.

Depending upon the nature of the proposed Specific Plan Amendment, supplemental environmental analysis may be required. It is the application's responsibility to provide an analysis of the environmental impacts.

Any determination that the Director of Planning & Development Services makes may be appealed to the Planning Commission of the County of Imperial in accordance with the appeal process set forth by Imperial County. The enforcement of design guidelines as set forth in this document will be the responsibility of the County's Planning and Development Services Department, County of Imperial.

a. Minor Modifications

The following modifications are considered minor in nature and do not require a Formal Specific Plan Amendment.

- i. Phasing of construction, including combining of planning areas.
- ii. Utility alignments and adjustments to phasing of utilities. Minor adjustments may include earlier construction, substitution of oversized facilities in adjacent phases, and similar adjustments.
- iii. Utility service road alignments.
- iv. Final facility sizing and precise location of water, sewer, and storm drainage improvements.

- v. Change in utility and/or infrastructure servicing agency.
- vi. Arterial or collector road alignment revisions where the roadway centerline moves less than 200 feet.
- vii. Decrease in development density or intensity.
- viii. Transferring of specific uses within the Specific Plan Area may be permitted. For example, the proposed hotel is located currently planned to be located in the southwest corner of the project site. The actual location of the hotel may be located anywhere within the Specific Plan Area as long as the location is consistent with the intent of the Specific Plan. This transfer of specific uses is permitted within the Specific Plan Area.
- ix. Minor landscape and streetscape design modifications, which are consistent with the intent of the design guidelines contained in this document.
- x. Deletion of unnecessary drainage facilities when recommended or approved by the County Engineer.
- xi. Specific modifications of a similar nature to those listed above, which are deemed minor by the Planning & Development Services Director, which is in keeping with the spirit and intent of the Specific Plan, and which are in conformance with the General Plan.
- xii. The Planning & Development Services Director shall have the authority to

allow the "merging of lots currently shown on the Tract Map, in the event developer prior to recordation requests that one or more lots be combined, Planning & Development Services Director shall take into consideration the requirements of the Imperial Center Plan, the Map Act, County Ordinance and the overall integrity of the Map. The Planning & Development Services Director shall not have the authority to further divide any such lots.

b. Formal Specific Plan Amendments

- i. All Specific Plan modifications, which do not meet the criteria for minor modifications stated above, shall be deemed to require a formal Amendment to this Specific Plan.
- ii. Specific Plan Amendments shall be processed pursuant to the provisions of the Imperial County Zoning Code, and this Specific Plan.

7. Monitoring and Enforcement

Except as provided by this plan, no permitted development shall occur, and no building permit or grading permit shall be issued for any permitted use or development until an application for a plot plan review has been submitted to and approved by the Planning & Development Services Department.

If it is the determination by the County of Imperial Planning & Development Services Department that the project is or may not be in full compliance with any one or all of the sections of the Imperial Center Specific Plan specified herein, the conditions of approval for all projects within the center, or the environmental mitigation requirements, the issue shall

be brought immediately to the appropriate enforcement agency or the Planning Commission/Board of Supervisors for hearing to consider appropriate response. The Planning & Development Services Department in the County of Imperial is and has the principle responsibility to coordinate all monitoring, permitting activities for the Imperial Center. This does not mean that the Planning & Development Services Department will exclusively do all the monitoring, but rather will draw upon and coordinate with all involved agencies for the monitoring reporting program. On an annual basis the owner or the owner's legal representative of the project shall provide to the Department, a report relating to compliance with the conditions specified by the project approval.

INFRASTRUCTURE FINANCING

This section describes a series of procedures, regulations and standards to insure that the financing measures are identified for infrastructure at the Imperial Center.

The following strategy has been developed to implement the finance mechanisms of the Imperial Center Specific Plan.

1. Financing Mechanisms

There are various methods for public financing of which one or more in combination may be utilized. They are:

- a. Mello-Roos*
- b. Assessment District*
- c. Impact Fees*

Table 10-1
Imperial Center Subdivision - Preliminary Engineer's
Cost Estimate for Off-Site Improvements (Alternative No. 3)

#	Item	Comments	Cost
1.	Dogwood Rd. / Heber Rd. Traffic Signal		TBD
2.	Jasper Rd. / Hwy. 111 Traffic Signal		TBD
3.	McCabe Rd. Hwy. 111 Traffic Signal		TBD
4.	Water	12" & 8" DIA. PVC Pipe Fire Hydrant Assembly 8" & 12" Valve Water Service	1,380,190
5.	Sewer	12" & 15" DIA PVC SDR Pipe Sewer Service Sewer Man Hole	672,960
6.	Testing Lab Services	Jack & Bore pits, Waterline, Sewer Force Main & Gravity Sewer, Special Box	30,090
6.	Storm Drain	48", 36", & 24" DIA. PVC Storm Drain SD Man Hole and Catch Basin	249,033
7.	Curb & Sidewalk	6" Curb & Gutter, Sidewalk, 20' Driveways, Handicap Curb Returns	167,357
8.	Electrical	Street Lights and Underground Electric	31,250
9.	Earthwork	Cut	19,858
10.	A. C. Pavement	12" subgrade, 12" class II AG. Base, 4" Asphalt Concrete	502,653
10.	Miscellaneous	Mobilization, clearing, clean up & demobilization, traffic control & public Safety	<u>35,000</u>
Total			TBD
Source: Development Design & Engineering, January, 2005. Note: The above cost estimates are subject to change.			

a. Mello-Roos

Mello-Roos bonds can be short or long - term obligations. Typically, long-term bonds have either twenty-five or thirty year maturity. Short-term notes or bonds can be issued to provide interim funding; these obligations are then retired when another source of revenue becomes available.

The Imperial Center will anticipate making use of long-term Mello-Roos bonds. Mello-Roos bonds would be issued at various stages throughout build out of the project area by one or more property owners in order to close funding gaps that exit due to the timing of fee revenues. Proceeds of Mello-Roos bonds would likely be used to fund a variety of facilities, including roads, sewer and water improvements, and flood control facilities. Mello-Roos bonds would be retired from special taxes collected from property owners and developers in Imperial Center.

b. Assessment District

Assessment districts or Mello-Roos Community Facilities Districts (CFD) may be considered in place of, or in combination with, the “Imperial Center Fee”. Landscaping maintenance within public right-of-way may be funded by a landscape and lighting district fee.

Formation of a Community Facilities District (CFD) authorizes a public agency to levy a special tax on all taxable property within the CFD in the manner prescribed in the formation documents. Property owned or irrevocable offered to a public agency may be exempted from the special tax. Mello-Roos special taxes are collected at the same time and in the same manner as property taxes, unless otherwise specified by the agency. Special tax revenues may be used to pay debt service on bonds sold to provide funding for the construction or acquisition of public capital facilities; special taxes may also be used to pay directly for facilities and public services.

c. Impact Fees

i. Imperial Center Fee

Impact fees are charged by local agencies in conjunction with approval of a development project. Impact fees are levied for the purpose of paying a portion of the costs of a public facility, and improvements. A fee program is implemented by a public agency's adoption of a resolution or ordinance.

It is recommended that an "Imperial Center Fee" be established to address infrastructure impacts to address the following:

- i. Off-site circulation improvements;
- ii. Major Arterial and Collectors;
- iii. Water;
- iv. Sewer;
- v. Landscaping; and
- vi. Lighting.

Maintenance will be funded by a combination of City, County, State, developer financing, and an Imperial Center Impact fee that covers the entire Imperial Center project area. Assessment districts or Mello-Roos Community Facilities Districts may be considered in place of, or in combination with, the set fee.

2. Landscaping and Lighting

The Landscaping and Lighting Act of 1972 authorizes local public agencies to impose assessments on benefited property to fund the installation, construction, and maintenance of the following:

- a. Landscaping
- b. Statues, fountains, and ornamental structures

- c. Improvements appurtenant to the foregoing, including grading, curbs, gutters, sidewalks and water and drainage facilities
- d. Park or recreational improvements, including land preparation, lighting, playground and recreational equipment, and public restrooms
- e. Maintenance or servicing of the foregoing improvements

The assessments placed on benefited properties may be levied on an annual basis, and are typically collected semi-annually as part of the property tax bill. The assessments may be used to pay directly for installation, construction, or maintenance of eligible improvements, or may be used to pay debt service on bonds issued to cover installation and construction costs. Should bonds be sold, they are non-recourse to the issuing public agency, in that the agency has no financial liability associated with these bonds. The bondholders look to the property owners for their semi-annual assessment payments, and will pursue foreclosure proceedings against those properties, which are delinquent in paying their assessments.

Formation of an LLD could serve as a method for the County to maintain landscaping in the project area and would provide a protest opportunity for affected landowners. However, the County may also incorporate the levy of Mello-Roos special taxes for landscape maintenance and other services.

11. ENVIRONMENTAL ISSUES & MITIGATIONS

The project is currently agricultural land with two drainage areas located on or along the property.

GEOLOGY

The project site is located in the Colorado Desert Province of southeast California. The dominant feature of the Colorado Desert is also the Salton Trough. Thick sequences of sedimentary rocks of up to 20,000 feet underlie the alluvial cover of the area.

SOILS

Utilizing the Soil Survey of Imperial County, published by the U.S. Department of Agriculture Soil Conservation Service (SCS 1981), four differing soil types were identified within the project boundaries. They include: Holtville silty clay, Imperial silty clay, Imperial-Glenbar silty clay loams, and Meloland very fine sand loam. Two types of soils are known to exist on the project site.

The Holtville soil: This is most commonly found on the project site. The Holtville silty clay is a very deep, stratified soil is on flood plains and alluvial basin floors. The soil formed in water-laid sediment from mixed sources. Permeability is slow in the clayey layer and moderately rapid in the underlying material. Available water capacity is high to very high and the Holtville soil is no saline to slightly saline. In addition, surface run-off is slow, and the hazard of erosion is slight.

Imperial Silty Clay: This very deep soil is on flood plains and in basins and lakebeds. It is formed in clayey sediment from mixed sources. Typically, the Imperial silty clay, wet, is pinkish gray and light brown silty clay to a depth of 60 inches or more. Permeability is slow, and available water

capacity is very high. The soil is slightly saline. Surface run-off is low, and the hazard of erosion is slight.

MITIGATION

- Provide a full soils report for the site and design the foundation systems according to the soil engineer's recommendation prior to construction.
- Provide construction to meet the latest Uniform Codes and provide foundations, roadbeds, and other structures susceptible to expansive soils to the recommendations of the soil report

CONVERSION OF AGRICULTURE LAND TO URBAN USES

Typically, new development placed contiguous to agricultural land uses creates some major conflicts. The conflicts arise from both the agricultural community fearing restrictions being placed on their operational aspects, which do quite often become reality. On the other side, the urban users, many of whom are not that familiar with the nature of agricultural operations, complain about dust, noise, odor, and traffic due to large equipment and aerial applications of pesticide and herbicide.

The greater the density of commercial uses contiguous to the farming operations, the greater the number of complaints received by County agencies. While some attempts have been made to define the "buffer" distances necessary to be maintained between a commercial use and an agricultural operation, no definitive number has gained popular acceptance. The urban users complain due to the varied mechanical devices and fumigants used by the agricultural operators and in large part due to a lack of understanding.

In this case however there is a significant separation between the eastern boundary of the project site and the western boundary of the adjacent agricultural field. Between

the two operations lie the Alder Drain, a fence, and two IID Dirt Roads. The width of these man made structures is between 60 and 75 feet. It is 60 feet near the northern extreme of the boundary, and 75 closer to the southern extreme. The physical features in this case do provide a perceptive separation.

There has been a tremendous amount of pressure to convert agriculture land to urban land uses within the County of Imperial for the last couple of years. The County of Imperial has responded to this pressure and has adopted specific policies regarding this conversion of agriculture land.

Right to Farm Ordinance

In 1990, the Agricultural Commissioner's Office prepared and obtained the approval of the Board of Supervisors for the "Right-to-Farm Ordinance". The Agricultural Ordinance states, in part, that "It is the declared policy of this County to enhance and encourage agricultural operations within the County. It is the intent of this Specific Plan to adopt goals and policies that are supportive of Agriculture operations. Appropriate design and mitigation measures will be implemented to prevent any conflict with agriculture land uses and operations.

Land Use Incompatibility

The project site is located adjacent to the major North/South State Highway within Imperial Valley, State Highway 111. It is also located on Heber Road, a major transportation corridor for the new Imperial Valley Mall. Both of these corridors are heavily traveled by non-agriculture transportation equipment. Therefore, the continued farming of the project site has the potential to create significant impacts between agriculture and non-agriculture land uses surrounding the site. Agriculture related land uses are incompatible with adjacent high volume traffic corridors.

The transportation of heavy agriculture machinery will become increasing more difficult with the increased growth expected in Imperial Valley. Removal of the project site

from agriculture production will decrease the probability of non-agriculture related conflicts within Imperial Valley.

Employment Creating Land Uses

The conversion of agriculture land within the project site is done with the specific goal of replacing this land use with employment and tax revenue producing land uses. It is recognized that agriculture land is a very important economic generator within Imperial Valley. Therefore, it is the intent of this Specific Plan to replace the agriculture use with a land use that is also a very strong economic generator. The outlet mall, hotel, restaurants and other uses allowed within the project site will provide many jobs and a strong revenue source to the residents of Imperial Valley. This is consistent with the County of Imperial General Plan.

The ground has been in field crop production for the past 10 years. Therefore aerial application of pesticides has not been required thereby minimizing the impact to the land. The only other viable agricultural land is located to the north and east of the project site, and is outside of the urban designated area.

MITIGATION

- Maintain a minimum 200 feet buffer zone to mitigate any potential significant impact upon agricultural land northerly of the project site and install a 6 foot solid block wall along the easterly property line.*

* Per the Imperial County Agricultural Commissioners Office

CIRCULATION

A comprehensive traffic Study was prepared for this project by Dahl, Robbins & Associates, (see Volume Two, Appendix B). Linscott, Law & Greenspan, Engineers prepared the Traffic Impact Analysis Addendum for this project. The following mitigations (identified within the Traffic Study Addendum, Appendix J) as determined necessary by the Dept of Public Works of the County of Imperial, Heber Public Utility District and CALTRANS are proposed to become conditions of approval of the project Tentative Map (please see the Traffic Study Addendum, Appendix J for more detailed and specific mitigation measures).

MITIGATION

- Developer will make all improvements recommended by the traffic study along SR 111, and will re-locate Yourman Road, as determined necessary by the Dept of Public Works of the County and the Heber Public Utility District.
- Developer will install internal traffic systems as designated within the plan and as required by the County's Dept. of Public Works and the Heber Public Utility District.
- The project will contribute its fair share to the improvements of Highway 111, as this Highway is impacted by several other projects both in and outside the Heber Public Utility District's Sphere of Influence.

Heber Road

- It is recommended that Heber Road be widened to five lanes prior to Phase D (2010-

15) from Scaroni Road on the west to the east edge of the project. This will provide the necessary capacity at the Highway 111 intersection and the project driveways. An additional southbound left turn lane and a northbound right turn lane will be needed to accommodate 2010 traffic.

Jasper Road and Highway 111

- Currently, this intersection is closed. As indicated earlier, CALTRANS has plans to reopen this intersection as soon as a stoplight is constructed. They have indicated that they expect the stoplight to be constructed within the near future. Because of the impacts to this intersection that the Imperial Center will cause, the Imperial Center will not be developed until the Jasper & 111 intersection is reopened.
- To be inserted

McCabe Road and Highway 111

- Currently, this intersection is closed. As indicated earlier, CALTRANS has plans to reopen this intersection as soon as a stoplight is constructed. They have indicated that they expect the stoplight to be constructed within the near future. Because of the impacts to this intersection that the Imperial Center will cause, the Imperial Center will not be developed until the McCabe Road & 111 intersection is reopened.
- To be inserted

Yourman Road and Heber Road

- In addition to the previously described improvements to Heber Road, a traffic signal will be needed at this intersection

with the addition of Phase D (2010-15) traffic. The Level of Service calculations shows a northbound Level of Service of D in 2006, but if the roadway is realigned as proposed, this will not be the case. Since the need for this signal is due almost entirely to project generated traffic, the entire cost for this signal would be assigned to the developer. It will be important to coordinate this signal with the signal on Highway 111 so that backups do not occur along Heber.

Heber Road and Highway 111

- At project build-out, dual southbound left turn lanes will be required, as well as northbound right turn lane.
- Based on existing accident data, it is recommended that some form of advance notice be given to Highway 111 traffic of impending signal changes. This will help to reduce the number of rear end accidents occurring at this location. Since this is a pre-existing condition, it would not be the responsibility of this development.

Dogwood Road and Heber Road

- To be inserted

Bowker Road and Heber Road

- At project build-out, left turn lanes will be needed for northbound and southbound traffic at this intersection.
- The design of all intersections and roadways shall be in accordance with Caltrans Standard Drawings, Imperial County guidelines, City of Calexico Standards and the latest editions of the MUTCD and AASHTO Green Book.

BIOLOGICAL RESOURCES

This site has been aggressively disturbed for decades, including deep plowing and other farm practices. There is no known species of plants or in this area that are considered to be on any endangered species list or are otherwise protected. A burrowing owl survey has been completed and is discussed below.

Burrowing Owl Survey

UltraSystems Environmental, Inc. conducted three diurnal and three nocturnal field surveys for the Burrowing Owl (*Athene cunicularia*) at the 77.64 acre Imperial Center site just east Heber and north of Calexico, Imperial County, California. The project is bordered on the north by Abatti Road, the east by the Alder Canal, the south by Heber Road and the west by Yourman Road and Highway 111. This site can also be described as being located within Section 26 of Township 16 South, Range 14 East.

The Burrowing Owl is a small, pale, buffy-brown owl that is unique in its habit of nesting in subterranean burrows. It occurs in grassland and other open habitats throughout much of the western United States, with a disjunct population in Florida. In California, the species is often found in areas containing California Ground Squirrels (*Spermophilus beecheyi*), whose burrows are used by the owls. It is opportunistic in its use of burrow sites, and can use pipes or other suitable cavities at or below ground level. Burrows can be up to 10 feet long, and enlarged nesting chambers are constructed at the terminus. The entrances to burrows are often decorated with bits of animal dung, feathers, litter, and other objects. Clutches of up to 12 eggs are laid, primarily from February to May.

The Imperial Valley is a stronghold for the Burrowing Owl in southern California, with recent estimates of up to 5,600 pairs. Irrigation canals and drains are commonly used as nesting sites in this area. Prey items identified in the Imperial Valley include insects, spiders, earwigs, windscorpions, isopods, and small rodents.

The Burrowing Owl is a California Department of Fish and Game (CDFG) Species of Special Concern, and a Federal Species of Concern. The CDF&G is currently evaluating a petition to have the species listed as either Threatened or Endangered. This species is declining in many portions of its range, but has increased in some areas. The CDFG has issued a staff report addressing survey and mitigation guidelines for the owl (CDFG 1995).

As is characteristic of the topography of this region, the Imperial Center site is flat and has a recent and long history of agriculture. Canals and ditches are used to transport water to fields and are the most frequent nest locations of the burrowing owl in Imperial Valley. Roadside berms are also used regularly. The site is bordered by agricultural fields to the north and east. Properties located to the west and south consist of industrial yards, housing and sewage treatment plants. The entire site was recently harvested for corn. Vegetation was therefore sparse and ranged in height from 0-12 inches.

Ultra Systems biologist Marie Barrett conducted a morning survey on September 13, 2005 of the project site. The weather was clear with no precipitation with the wind approximately 0 to 5 mph during the survey. The temperature ranged from 85 to 89 degrees Fahrenheit.

Survey Results

No burrowing owls or active burrows were observed on the Imperial Center site. Five burrowing owls and eight active burrows were observed in the banks of the Alder Drain, within the 500-foot buffer area. Please see the Burrowing Owl Study in Appendix E for more information.

Birds observed on-site included ring-necked pheasant (*Phasianus colchicus*), rock dove (*Columba livia*), mourning dove (*Zenaidura macroura*), burrowing owl (*Athene cunicularia*), red-winged blackbird (*Aegialius phoeniceus*), great-tailed grackle (*Cassidix mexicanus*), house finch (*Carpodacus mexicanus*), cattle egret (*Bubulcus ibis*), great

egret (*Ardea alba*), killdeer (*Charadrius vociferus*), mallard (*Anas platyrhynchos*), greater roadrunner (*Geococcyx californianus*), meadowlark (*Sturnella neglecta*), American kestrel (*Falco sparverius*), northern mockingbird (*Mimus polyglottos*), northern harrier (*Circus cyaneus*), Cooper's hawk (*Accipiter cooperii*) and American avocet (*Recurvirostra americana*).

Mammals observed on-site included Audubon's cottontail (*Sylvilagus auduboni*), round-tailed ground squirrel (*Spermophilus tereticaudus*) and antelope ground squirrel (*Ammospermophilus leucurus*). No amphibians or reptiles were detected.

Burrowing owls are colonial species and can nest in extremely high densities when conditions are good. The conditions at the Heber Subdivision site are good for burrowing owls. Alfalfa fields provide suitable nesting and foraging habitats where rodents and arthropods are abundant. The canals and roadside berms provide the topography and substrate, and squirrels and irrigation pipes provide nesting habitat.

DISCUSSION

Currently, project construction is not expected to occur for several years. Because burrowing owl may nest on the site in the future, burrowing owl surveys should be conducted prior to detailed project planning and construction to assess owl status. Additionally, preconstruction owl surveys will be required.

Mitigation requirements for impacts to burrowing owls are currently under review by USFWS and CDFG. A regional Habitat Conservation Plan (HCP) that would include mitigation requirements for impacts to burrowing owls is being planned. It is recommended that mitigation requirements be reviewed during project planning.

The burrowing owl is a migratory species protected by international treaty under the Migratory Bird Treaty Act (MBTA) of 1918 (16 U.S.C. 703-711). The MBTA makes it

unlawful to take, possess, buy, sell, purchase, or barter any migratory bird listed in 50 C.F.R. Part 10, including feathers, or other parts, nests, eggs, or products, except as allowed by implementing regulations (50 C.F.R. 21). Sections 3505, 3503.5, and 3800 of the California Department of Fish and Game Code prohibit the take, possession, or destruction of birds, their nests or eggs. Disturbance that causes nest abandonment and/or loss of reproductive effort (e.g., killing or abandonment of eggs or young) may be considered take and is potentially punishable by fines or imprisonment (CDFG 1995). Project-related disturbance at active nesting territories must be reduced or eliminated during the nesting cycle (February 1 to August 31) to avoid violation of the take provisions of these laws.

- No construction is allowed within 75 meters (250') of an active burrowing owl nest between February 1 and August 31. However, recent studies of the burrowing owl in California have revealed some late season nesting attempts in the fall. Prior to any earth moving, any on-site burrows need to be evaluated by an experienced burrowing owl biologist and confirmed as unoccupied by owls before being graded. This can be accomplished by a combination of behavioral observations, ecological clues at the burrow entrances and fiber optic scope observation of the burrow. Currently closure of nest burrows ("passive relocation") is not permitted at any time. Active relocation is very rarely permitted by USFWS and CDFG.
- Purchasing mitigation lands or conservation easements, swapping land, and providing artificial nest burrows may be required.
- Pre-construction surveys must be undertaken not more than 30 days before earth disturbance (grading) to assess whether owls are nesting on the site. The surveys should be conducted as close to the actual construction initiation date as possible. A biological monitor may need to be present until the entire site has been graded.
- A 75-meter (250') no construction buffer between on-site construction and peripheral nesting pairs with

burrows on adjacent properties is currently required from February 1 to August 31.

CEQA AND SPECIFIC PLANS

Adoption of a specific plan is a project subject to the California Environmental Quality Act (CEQA). As such, the specific plan may require the preparation and consideration of a Negative Declaration or an Environmental Impact Report (EIR) disclosing the potential significant environmental effects of the plan, plan alternatives, and the means by which possible environmental damage may be reduced or avoided. Revisions to an existing specific plan may also require CEQA analysis through a subsequent, supplemental, or tiered EIR, or a negative declaration. The environmental information in provides decision makers with the insight necessary to guide policy development, thereby ensuring the plan's policies will address and provide the means by which to avoid potential impacts to the environment.

CEQA Alternatives

CEQA and the State CEQA Guidelines include provisions for streamlined approaches to environmental review commonly referred to as "tiering" (CEQA Guidelines §15152). Tiering is commonly used to simplify the environmental review required for projects, which follow specific plans and general plans. The result is a limited review of those project-specific effects, which either were not examined or not fully examined, in the specific plan EIR.

Tiering

When tiering is used, the later EIRs or negative declarations must refer to the prior EIR and state where a copy of the prior EIR may be examined. The later EIR or negative declaration should state that the lead agency is using the tiering concept and that the EIR or negative declaration is being tiered from the earlier specific plan EIR (CEQA Guidelines §15152(e)).

Appendix C - Financial Statement

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

JUNE 30, 2016

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Heber Public Utility District
El Centro, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Heber Public Utility District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Heber Public Utility District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

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

White Nelson Diehl Evans LLP

Carlsbad, California
December 12, 2016

**Heber Public Utility District
Management Discussion and Analysis
for the Year Ended June 30, 2016**

The discussion and analysis of the financial performance of Heber Public Utility District provides an overview of the District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Users of these financial statements should read this discussion and analysis and the District's basic financial statements following this section to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the 2015-2016 fiscal year by \$27,754,183 (*Net Position*). The net position is composed of \$23,290,805 invested in capital assets net of related debt, \$ 633,033 which is restricted for debt service, and \$3,830,375 which is unrestricted.
- As of June 30, 2016, the District's governmental funds reported total ending fund balances of \$730,319, an increase of \$214,980 in comparison with the prior year.
- At the end of the current fiscal year, the Business-Type Activities assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$26,168,663, an increase of \$2,051,867 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Government-wide Financial Statements

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

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

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

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

2. Fund Financial Statements

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

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

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

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

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

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

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

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

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

3. Notes to the Basic Financial Statements

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

The notes to the financial statements are presented on pages 22 to 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$27,754,183 (see Table 1) at the close of the current fiscal year.

The portion of the District's net position which is reflected as unrestricted is \$3,830,375 an increase of \$1,650,110 from the prior year. The amount of net position in capital assets (e.g., infrastructures, improvements, and construction in progress); less any related outstanding debt used to acquire those assets is \$23,290,805. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used and amounts to \$633,003. The portion of the restricted net position is the aggregate amount for short lived assets, and debt service reserves.

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

**Heber Public Utility District
Management's Discussion and Analysis
for the Year Ended June 30, 2016**

**Table 1 - Heber Public Utility District Net Position
June 30, 2016 and 2015**

	2016	2015
Current Assets:		
Cash and Investments	\$ 2,525,533	\$ 2,535,891
Restricted Cash & Cash Equivalents	633,003	520,990
Receivables	463,477	435,561
Grant Receivable	1,572,333	-
Notes Receivable	13,255	13,255
Capital Assets	32,585,374	31,010,156
Total Assets	<u>37,792,975</u>	<u>34,515,853</u>
Deferred Outflows of Resources		
Deferred amounts from pension	203,050	79,603
Total Deferred Outflows of Resources	<u>203,050</u>	<u>79,603</u>
Current Liabilities		
Current Liabilities	1,415,964	202,377
Customer Deposit Payable	100,036	93,694
Noncurrent Liabilities		
Net Pension Liability	446,488	313,558
Long-Term Liabilities	8,204,091	8,405,786
Total Liabilities	<u>10,166,579</u>	<u>9,015,415</u>
Deferred Inflows of Resources		
Deferred amounts from pension	75,263	154,355
Total Deferred Inflows of Resources	<u>75,263</u>	<u>154,355</u>
Net Position:		
Net Investment in Capital Assets	23,290,805	22,724,431
Restricted for Debt Service	633,003	520,990
Unrestricted	3,830,375	2,180,265
Total Net Position	<u>\$ 27,754,183</u>	<u>\$ 25,425,686</u>

**Heber Public Utility District
Management's Discussion and Analysis
for the Year Ended June 30, 2016**

**Table 2 - Heber Public Utility District Changes in Net Position for the
Years Ended June 30, 2016 and 2015**

	2016	2015
Program Revenues:		
Charge for services	\$ 3,267,109	\$ 3,165,156
Royalties and services	81,604	81,381
Capital Grants and Contributions	2,306,740	-
General Revenues:		
Property tax	543,050	466,594
Other revenue	39,445	36,070
Total Revenues	<u><u>6,237,948</u></u>	<u><u>3,749,201</u></u>
Program Expenses:		
General government	363,089	282,177
Water	1,512,795	1,582,375
Wastewater	1,564,067	1,378,881
Solid Waste	469,500	464,338
Total Expenses	<u><u>3,909,451</u></u>	<u><u>3,707,771</u></u>
Changes in Net Position	<u><u>\$ 2,328,497</u></u>	<u><u>\$ 41,430</u></u>

Governmental Activities

Governmental activities increased the District's net position by \$276,630 for the year ended June 30, 2016.

Business-type Activities

The Business-type activities increased the District's net position by \$2,051,867.

- a. Depreciation expense for business type activities amounted to \$1,175,990.
- b. Revenues for service charges amounted to \$ 3,267,109.
- c. Capital Contributions amounted to \$2,306,740.

Governmental Funds

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

At June 30, 2016, The District's governmental funds reported total net fund balances of \$730,319.

Revenues for governmental functions totaled \$639,719 at June 30, 2016. Expenditures for government functions totaled \$424,739 at June 30, 2016.

Proprietary Funds

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

Agency Funds

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District's investment in capital assets for its governmental and business-type activities amounted to \$32,585,374 (net of accumulated depreciation). The investments in capital assets are comprised of land, infrastructure, structures and improvements, furniture and equipment, vehicles, and construction in progress. The District, according to GASB 34 guidelines, has elected retroactively to include all infrastructure assets.

Heber Public Utility District Management's Discussion and Analysis for the Year Ended June 30, 2016

**Table 3 - Heber Public Utility District Capital Assets
(Net of accumulated depreciation)
Years Ended June 30, 2016 and 2015**

	2016	2015
Land	\$ 1,023,643	\$ 1,021,143
Infrastructure & Improvements	27,963,779	29,050,616
Furniture and Equipment	567,585	175,039
Construction In Process	3,030,367	763,358
Total	<u>\$ 32,585,374</u>	<u>\$ 31,010,156</u>

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$8,063,034 which is described in the table below.

Heber Public Utility District Management's Discussion and Analysis for the Year Ended June 30, 2016

**Table 4 - Heber Public Utility District Outstanding Debt
Years Ended June 30, 2016 and 2015**

	2016	2015
2009 USDA Loan	\$ 3,092,000	\$ 3,155,000
2012 SRF WWTP Loan	4,971,034	5,130,725
TOTAL	<u>\$ 8,063,034</u>	<u>\$ 8,285,725</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Graciela Lopez, HPUD Finance Officer at (760) 482-2440.

BASIC FINANCIAL STATEMENTS

HEBER PUBLIC UTILITY DISTRICT

 STATEMENT OF NET POSITION
 June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 687,175	\$ 1,838,358	\$ 2,525,533
Restricted cash and cash equivalents	-	633,003	633,003
Accounts receivable	61,232	402,245	463,477
Grant receivable	-	1,572,333	1,572,333
Note receivable	-	13,255	13,255
Total Current Assets	748,407	4,459,194	5,207,601
Noncurrent Assets:			
Capital Assets:			
Capital assets not being depreciated	534,027	3,519,983	4,054,010
Capital assets, net of depreciation	371,900	28,159,464	28,531,364
Total Capital Assets	905,927	31,679,447	32,585,374
Total Noncurrent Assets	905,927	31,679,447	32,585,374
TOTAL ASSETS	1,654,334	36,138,641	37,792,975
DEFERRED OUFLOWS OF RESOURCES			
Deferred amounts from pension	26,342	176,708	203,050
TOTAL DEFERRED OUFLOWS OF RESOURCES	26,342	176,708	203,050
LIABILITIES			
Current Liabilities:			
Accounts payable	11,992	1,356,975	1,368,967
Accrued interest payable	-	12,653	12,653
Accrued wages and benefits payable	4,824	29,520	34,344
Deposits	1,272	98,764	100,036
Long-term debt due within one year	-	225,288	225,288
Current portion of compensated absences	9,380	71,677	81,057
Total Current Liabilities	27,468	1,794,877	1,822,345
Noncurrent Liabilities:			
Net Pension Liability	57,924	388,564	446,488
Long-term debt due in more than one year	-	7,837,746	7,837,746
Compensated absences	-	60,000	60,000
Total Noncurrent Liabilities	57,924	8,286,310	8,344,234
TOTAL LIABILITIES	85,392	10,081,187	10,166,579
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts from pension	9,764	65,499	75,263
TOTAL DEFERRED INFLOWS OF RESOURCES	9,764	65,499	75,263
NET POSITION			
Net investment in capital assets	905,927	22,384,878	23,290,805
Restricted for debt service	-	633,003	633,003
Unrestricted	679,593	3,150,782	3,830,375
TOTAL NET POSITION	\$ 1,585,520	\$ 26,168,663	\$ 27,754,183

See accompanying notes to financial statements.

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
Parks and recreation	\$ 363,089	\$ 81,604	\$ -	\$ -
Total governmental activities	<u>363,089</u>	<u>81,604</u>	<u>-</u>	<u>-</u>
Business-Type Activities				
Water	1,512,795	1,527,283	-	2,306,740
Wastewater	1,564,067	1,246,561	-	-
Solid waste	469,500	493,265	-	-
Total business-type activities	<u>3,546,362</u>	<u>3,267,109</u>	<u>-</u>	<u>2,306,740</u>
Total primary government	<u>\$ 3,909,451</u>	<u>\$ 3,348,713</u>	<u>\$ -</u>	<u>\$ 2,306,740</u>

GENERAL REVENUES

Property taxes

Investment earnings

Other revenues

Total General Revenues

CHANGES IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

Net (Expense)/Revenue and Changes in Net Position Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (281,485)	\$ -	\$ (281,485)
<u>(281,485)</u>	<u>-</u>	<u>(281,485)</u>
-	2,321,228	2,321,228
-	(317,506)	(317,506)
-	23,765	23,765
<u>-</u>	<u>2,027,487</u>	<u>2,027,487</u>
<u>(281,485)</u>	<u>2,027,487</u>	<u>1,746,002</u>
543,050	-	543,050
-	1,072	1,072
15,065	23,308	38,373
<u>558,115</u>	<u>24,380</u>	<u>582,495</u>
276,630	2,051,867	2,328,497
<u>1,308,890</u>	<u>24,116,796</u>	<u>25,425,686</u>
<u>\$ 1,585,520</u>	<u>\$ 26,168,663</u>	<u>\$ 27,754,183</u>

HEBER PUBLIC UTILITY DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 682,370	\$ 4,805	\$ 687,175
Accounts receivable	58,340	2,892	61,232
	<u>740,710</u>	<u>7,697</u>	<u>748,407</u>
Total Assets	<u>\$ 740,710</u>	<u>\$ 7,697</u>	<u>\$ 748,407</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,992	\$ -	\$ 11,992
Deposits	1,272	-	1,272
Accrued expenses	4,824	-	4,824
	<u>18,088</u>	<u>-</u>	<u>18,088</u>
Total Liabilities	<u>18,088</u>	<u>-</u>	<u>18,088</u>
FUND BALANCES			
Restricted	<u>722,622</u>	<u>7,697</u>	<u>730,319</u>
Total Fund Balances	<u>722,622</u>	<u>7,697</u>	<u>730,319</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 740,710</u>	<u>\$ 7,697</u>	<u>\$ 748,407</u>

HEBER PUBLIC UTILITY DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

	<u>Amount</u>
Fund balances for governmental funds	\$ 730,319
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in governmental funds (net of accumulated depreciation).	905,927
Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:	
Compensated absences	(9,380)
Pension related debt 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 effect only the government-wide statements for governmental activities.	
Deferred outflows of resources	26,342
Deferred inflows of resources	(9,764)
Net pension liability	<u>(57,924)</u>
Net position of governmental activities	<u>\$ 1,585,520</u>

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2016

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property Taxes	\$ 543,050	\$ -	\$ 543,050
Charges for services	81,604	-	81,604
Other revenues	15,065	-	15,065
	<u>639,719</u>	<u>-</u>	<u>639,719</u>
Total Revenues			
EXPENDITURES			
General government	338,141	-	338,141
Capital outlay	86,598	-	86,598
	<u>424,739</u>	<u>-</u>	<u>424,739</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>214,980</u>	<u>-</u>	<u>214,980</u>
NET CHANGES IN FUND BALANCES	214,980	-	214,980
FUND BALANCES AT BEGINNING OF YEAR	<u>507,642</u>	<u>7,697</u>	<u>515,339</u>
FUND BALANCES AT END OF YEAR	<u>\$ 722,622</u>	<u>\$ 7,697</u>	<u>\$ 730,319</u>

HEBER PUBLIC UTILITY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

	<u>Amount</u>
Net changes in fund balances - total governmental funds	\$ 214,980
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	\$ 86,598
Depreciation expense	<u>(27,440)</u>
	59,158
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.	
	9,031
The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long- term liabilities consumes current financial resources of governmental funds. However these transactions have no effect on net position:	
Net increase in compensated absences payable	<u>(6,539)</u>
Changes in net position of governmental activities	<u><u>\$ 276,630</u></u>

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 June 30, 2016

	Water	Wastewater	Solid Waste	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 477,000	\$ 1,175,910	\$ 185,448	\$ 1,838,358
Restricted cash and cash equivalents	422,003	211,000	-	633,003
Accounts receivable	214,729	136,556	50,960	402,245
Grant receivable	1,572,333	-	-	1,572,333
Note receivable	-	13,255	-	13,255
Total Current Assets	2,686,065	1,536,721	236,408	4,459,194
Noncurrent Assets:				
Capital Assets:				
Capital assets not being depreciated	2,954,707	565,276	-	3,519,983
Capital assets, net of depreciation	12,607,831	15,551,633	-	28,159,464
Total Noncurrent Assets	15,562,538	16,116,909	-	31,679,447
TOTAL ASSETS	18,248,603	17,653,630	236,408	36,138,641
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts from pension	90,412	82,792	3,504	176,708
TOTAL DEFERRED OUTFLOWS OF RESOURCES	90,412	82,792	3,504	176,708
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,339,659	17,125	191	1,356,975
Accrued interest payable	6,712	5,941	-	12,653
Accrued wages and benefits payable	16,069	12,896	555	29,520
Deposits	48,987	42,288	7,489	98,764
Long-term debt due within one year	64,000	161,288	-	225,288
Current portion of compensated absences	37,860	33,817	-	71,677
Total Current Liabilities	1,513,287	273,355	8,235	1,794,877
Noncurrent Liabilities:				
Net pension liability	198,808	182,051	7,705	388,564
Long-term debt due in more than one year	3,028,000	4,809,746	-	7,837,746
Compensated absences	30,000	30,000	-	60,000
Total Noncurrent Liabilities	3,256,808	5,021,797	7,705	8,286,310
TOTAL LIABILITIES	4,770,095	5,295,152	15,940	10,081,187
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts from pension	33,512	30,688	1,299	65,499
TOTAL DEFERRED INFLOWS OF RESOURCES	33,512	30,688	1,299	65,499
NET POSITION				
Net investment in capital assets	11,239,003	11,145,875	-	22,384,878
Restricted	422,003	211,000	-	633,003
Unrestricted	1,874,402	1,053,707	222,673	3,150,782
TOTAL NET POSITION	\$ 13,535,408	\$ 12,410,582	\$ 222,673	\$ 26,168,663

See accompanying notes to financial statements.

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water	Wastewater	Solid Waste	Total
OPERATING REVENUES				
Charges for services	\$ 1,527,283	\$ 1,246,561	\$ 493,265	\$ 3,267,109
Total Operating Revenues	<u>1,527,283</u>	<u>1,246,561</u>	<u>493,265</u>	<u>3,267,109</u>
OPERATING EXPENSES				
Salaries and benefits	539,233	465,683	19,478	1,024,394
Materials and supplies	227,887	115,157	1,500	344,544
Contract and other services	188,998	229,788	448,522	867,308
Depreciation	473,858	702,132	-	1,175,990
Total Operating Expenses	<u>1,429,976</u>	<u>1,512,760</u>	<u>469,500</u>	<u>3,412,236</u>
OPERATING INCOME (LOSS)	<u>97,307</u>	<u>(266,199)</u>	<u>23,765</u>	<u>(145,127)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	508	564	-	1,072
Other revenue	11,436	9,718	2,154	23,308
Interest expense	(82,819)	(51,307)	-	(134,126)
Total Nonoperating Revenues (Expenses)	<u>(70,875)</u>	<u>(41,025)</u>	<u>2,154</u>	<u>(109,746)</u>
Income before capital contributions	26,432	(307,224)	25,919	(254,873)
CAPITAL CONTRIBUTIONS	<u>2,306,740</u>	<u>-</u>	<u>-</u>	<u>2,306,740</u>
Changes in Net Position	2,333,172	(307,224)	25,919	2,051,867
Net Position at Beginning of Year	<u>11,202,236</u>	<u>12,717,806</u>	<u>196,754</u>	<u>24,116,796</u>
Net Position at End of Year	<u>\$ 13,535,408</u>	<u>\$ 12,410,582</u>	<u>\$ 222,673</u>	<u>\$ 26,168,663</u>

HEBER PUBLIC UTILITY DISTRICT

 STATEMENT OF CASH FLOWS
 For the year ended June 30, 2016

	Water	Wastewater	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,530,293	\$ 1,433,087	\$ 489,344	\$ 3,452,724
Cash paid to vendors and suppliers for materials and services	(353,731)	(365,384)	(523,565)	(1,242,680)
Cash paid for employee wages, benefits and related costs	(552,418)	(488,041)	(20,510)	(1,060,969)
Net cash provided (used) by operating activities	624,144	579,662	(54,731)	1,149,075
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to other funds	(199,053)	-	-	(199,053)
Net cash provided (used) by noncapital financing activities	(199,053)	-	-	(199,053)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,243,562)	(216,954)	-	(1,460,516)
Proceeds from grants and capital contributions	734,407	-	-	734,407
Principal paid on long-term debt	(63,000)	(159,691)	-	(222,691)
Interest paid on long-term debt	(82,819)	(51,307)	-	(134,126)
Net cash provided (used) by capital and related financing activities	(654,974)	(427,952)	-	(1,082,926)
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Investment income received	508	564	-	1,072
Net cash provided by investment activities	508	564	-	1,072
Net increase (decrease) in cash and cash equivalents	(229,375)	152,274	(54,731)	(131,832)
Cash and cash equivalents, beginning of year	1,128,378	1,234,636	240,179	2,603,193
Cash and cash equivalents, end of year	\$ 899,003	\$ 1,386,910	\$ 185,448	\$ 2,471,361
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 97,307	\$ (266,199)	\$ 23,765	\$ (145,127)
Adjustments to reconcile operating income (loss) to Net cash provided by operating activities:				
Depreciation	473,858	702,132	-	1,175,990
Other nonoperating revenues (expense), net	11,436	9,717	2,155	23,308
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:				
(Increase) decrease in assets:				
Receivables	(16,547)	(20,903)	(5,638)	(43,088)
Due from other funds	-	199,053	-	199,053
(Increase) decrease in deferred outflows:				
Deferred amounts from pension	(54,967)	(50,334)	(2,130)	(107,431)
Increase (decrease) in liabilities:				
Accounts payable	63,154	(20,438)	(73,544)	(30,828)
Accrued payroll and compensated absences	17,809	6,024	169	24,002
Deposits	8,121	(1,342)	(437)	6,342
Net pension liability	59,190	54,201	2,294	115,685
Increase (decrease) in deferred inflows:				
Deferred amounts from pension	(35,217)	(32,249)	(1,365)	(68,831)
Total Adjustments	526,837	845,861	(78,496)	1,294,202
Net cash provided (used) by operating activities	\$ 624,144	\$ 579,662	\$ (54,731)	\$ 1,149,075

HEBER PUBLIC UTILITY DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
June 30, 2016

	<u>Agency Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 501,437
Total Current Assets	<u>501,437</u>
Noncurrent Assets:	
Due from property owners	<u>1,445,662</u>
Total Noncurrent Assets	<u>1,445,662</u>
TOTAL ASSETS	<u><u>\$ 1,947,099</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 52,399
Long-term debt due within one year	<u>60,000</u>
Total Current Liabilities	<u>112,399</u>
Noncurrent Liabilities:	
Long-term debt due in more than one year	<u>1,834,700</u>
Total Noncurrent Liabilities	<u>1,834,700</u>
TOTAL LIABILITIES	<u><u>\$ 1,947,099</u></u>

June 30, 2016

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity:

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

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

Raw water used by HPUD is supplied by the Central Main Canal via the Dogwood Canal, both of which are under the jurisdiction of the Imperial Irrigation District (IID). The water is drawn from the canal, treated, used by the community and then re-treated in HPUD sewage treatment plant, and finally disposed of via agricultural drainage canals to the Salton Sea. Prior to 1972, when the first water treatment plant was completed, raw canal water was chlorinated by HPUD as a major part of the potable treatment process. Currently the water treatment plant can now treat over 2,000,000 gallons of water per day.

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

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

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

b. Government-Wide and Fund Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The District reports the following major proprietary funds:

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

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

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

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

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

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

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

d. New Accounting Pronouncements

GASB Current Year Standards:

In fiscal year 2015-2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *“Fair Value Measurement and Application”*. GASB Statement No. 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the District’s financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, was required to be implemented in the current fiscal year, except for those provisions that address employers and governmental nonemployer contributing entities for pension that are not within the scope of Statement No. 68, which are effective for periods beginning after June 15, 2016, and did not impact the District.

GASB Statement No. 76 – *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, was required to be implemented in the current fiscal year and did not impact the District.

GASB Statement No. 79 – *“Certain External Investment Pools and Pool Participants”*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 82 – *“Pension Issues an Amendment of GASB Statement No. 67, No. 68, AND No. 73,”* changed the measurement of covered payroll reported in required supplementary and has been early implemented.

GASB Pending Accounting Standards:

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

GASB Statement No. 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, the provision that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, effective for periods beginning after June 15, 2016.

GASB Statement No. 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.

GASB Statement No. 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.

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

d. New Accounting Pronouncements (Continued)

GASB Pending Accounting Standards (Continued):

GASB Statement No. 77 - "*Tax Abatement Disclosure*", effective for periods beginning after December 15, 2015.

GASB Statement No. 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", effective for periods beginning after December 15, 2015.

GASB Statement No. 79 - "*Certain External Investment Pools and Pool Participants*", the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, is effective for periods beginning after December 15, 2015.

GASB Statement No. 80 - "*Blending Requirements for Certain Component Units*", effective for periods beginning after June 15, 2016.

GASB Statement No. 81 - "*Irrevocable Split-Interest Agreements*", effective for periods beginning after December 15, 2016.

GASB Statement No. 82 - "*Pension Issues*," effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which is effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

e. Cash and Cash Equivalents:

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

f. Restricted Cash and Cash Equivalents:

Certain amounts of cash and cash equivalents are restricted in use by law or debt covenant, and accordingly, are shown as restricted on the Statement of Net Position. For the fiscal year ended June 30, 2016 the District had restricted cash and cash equivalents in the Water and Wastewater funds of \$422,003 and \$211,000, respectively.

g. Receivables and Payables:

Management estimates all receivables at June 30, 2016 to be collectable, as any receivables deemed uncollectable have been written off.

h. Compensated Absences:

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

HEBER PUBLIC UTILITY DISTRICT

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

i. Claims and Judgments:

When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2016, in the opinion of the District's Counsel, the District had no material claims which would require loss provision in the financial statements, including losses for claims which are Incurred But Not Reported (IBNR). Small dollar claims and judgments are recorded as expenditures when paid, if any.

j. Property Taxes:

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

k. Capital Assets:

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

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

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

l. Deferred Outflows/Inflows of Resources:

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

- Deferred outflow related to pensions for employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employee that are provided with pensions through the Plans, which is 3.8 years.
- Deferred outflow related to pensions for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans, which is 3.8 years.

HEBER PUBLIC UTILITY DISTRICT

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

l. Deferred Outflows/Inflows of Resources (continued):

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

- Deferred inflows from pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.
- Deferred inflows from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans, which is 3.8 years.

m. Interest Expense:

The District incurs interest charges on long-term debt. For fiscal year ended June 30, 2016 the District expensed \$134,127 of interest incurred.

n. Pensions:

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

o. Use of Estimates:

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

p. 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.

HEBER PUBLIC UTILITY DISTRICT

2. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at June 30, 2016, are reported in the accompanying financial statements as follows:

Statement of Net Position

Current Assets:

Cash and cash equivalents	\$ 2,525,533
Restricted cash and cash equivalents	633,003
Cash and cash equivalents with fiscal agent*	501,437
Total Cash and Cash Equivalents	<u>\$ 3,659,973</u>

Cash and cash equivalents at June 30, 2016 consisted of the following:

Deposits with financial institutions	\$ 3,158,436
Cash on hand	100
Investments - money market mutual fund	501,437
Total Cash and Cash Equivalents	<u>\$ 3,659,973</u>

*Reported on the Statement of Fiduciary Net Position.

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

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations. At June 30, 2016, District's investments in money market mutual funds has a maturity of less than one year.

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2016, the District's investment in money market mutual fund is rated AAA by Standard and Poors.

2. CASH AND CASH EQUIVALENTS (Continued):

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Fair Value Measurements:

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

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

HEBER PUBLIC UTILITY DISTRICT

3. CAPITAL ASSETS:

Governmental capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deletions & Completed Construction	Balance June 30, 2016
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 508,867	\$ 2,500	\$ -	\$ 511,367
Construction in process	22,660	-	-	22,660
Total Capital Assets, Not Depreciated	531,527	2,500	-	534,027
Capital Assets, Being Depreciated:				
Buildings	393,574	3,295		396,869
Machinery and equipment	90,451	59,560		150,011
Furniture and fixtures	22,771	19,131		41,902
Computer equipment	690	2,112		2,802
Subtotal	507,486	84,098	-	591,583
Less Accumulated Depreciation For:				
Buildings	(131,998)	(9,648)		(141,646)
Machinery and equipment	(55,273)	(12,521)		(67,794)
Furniture and fixtures	(4,742)	(4,620)		(9,362)
Computer equipment	(230)	(651)		(881)
Total Accumulated Depreciation	(192,243)	(27,440)	-	(219,683)
Net Capital Assets, Being Depreciated	315,243	56,658	-	371,900
Net Capital Assets	\$ 846,770	\$ 59,158	\$ -	\$ 905,927

HEBER PUBLIC UTILITY DISTRICT

3. CAPITAL ASSETS (Continued):

Business-type capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deletions & Completed Construction	Balance June 30, 2016
Business-type activities:				
Capital Assets, Not Depreciated:				
Land	\$ 512,276	\$ -	\$ -	\$ 512,276
Construction in process	740,698	2,267,009	-	3,007,707
Total Capital Assets, Not Depreciated	<u>1,252,974</u>	<u>2,267,009</u>	<u>-</u>	<u>3,519,983</u>
Capital Assets, Being Depreciated:				
Structures and improvements	482,901	37,299	-	520,200
Machinery and equipment	284,550	363,277	-	647,827
Infrastructure	37,687,530	-	-	37,687,530
Computer Equipment	48,074	24,466	-	72,540
Subtotal	<u>38,503,055</u>	<u>425,042</u>	<u>-</u>	<u>38,928,097</u>
Less Accumulated Depreciation For:				
Structures and improvements	(214,344)	(33,425)	-	(247,769)
Machinery and equipment	(180,304)	(48,524)	-	(228,828)
Infrastructure	(9,167,003)	(1,084,402)	-	(10,251,405)
Computer Equipment	(30,992)	(9,639)	-	(40,631)
Total Accumulated Depreciation	<u>(9,592,643)</u>	<u>(1,175,990)</u>	<u>-</u>	<u>(10,768,633)</u>
Net Capital Assets, Being Depreciated	<u>28,910,412</u>	<u>(750,948)</u>	<u>-</u>	<u>28,159,464</u>
Net Capital Assets	<u>\$ 30,163,386</u>	<u>\$ 1,516,061</u>	<u>\$ -</u>	<u>\$ 31,679,447</u>

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

Governmental Activities:	
Parks and recreation	<u>\$ 27,440</u>
Total depreciation expense – governmental activities	<u>\$ 27,440</u>
Business-type Activities:	
Water	\$ 473,858
Wastewater	<u>702,132</u>
Total depreciation expense – business-type activities	<u>\$ 1,175,990</u>

HEBER PUBLIC UTILITY DISTRICT

4. LONG-TERM DEBT

Changes in long-term debt for the year ending June 30, 2016 consist of the following:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Business-type activities:					
2009 U.S.D.A. Certificates of Participation	\$ 3,155,000	\$ -	\$ (63,000)	\$ 3,092,000	\$ 64,000
2012 SRF Wastewater Treatment Expansion Loan	5,130,725	-	(159,691)	4,971,034	161,288
Totals	<u>\$ 8,285,725</u>	<u>\$ -</u>	<u>\$ (222,691)</u>	<u>\$ 8,063,034</u>	<u>\$ 225,288</u>

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

Certificates of Participation with a principal amount not to exceed \$3,533,000 were issued July 20, 2009, bear an interest rate of 2.63% and mature June 1, 2049. The Certificates of Participation were issued to secure the loan from the USDA RDA and to provide financing for the acquisition and installation of certain water system improvements. The principal amount outstanding at June 30, 2016 was \$3,092,000. Future debt service requirements for the Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 64,000	\$ 81,165	\$ 145,165
2018	64,000	79,485	143,485
2019	64,000	77,805	141,805
2020	90,000	76,334	166,334
2021	90,000	73,972	163,972
2022-2026	460,000	324,108	784,108
2027-2031	460,000	273,157	733,157
2032-2036	500,000	210,201	710,201
2037-2041	500,000	144,296	644,296
2042-2046	500,000	81,418	581,418
2047-2049	300,000	23,639	323,639
	<u>\$ 3,092,000</u>	<u>\$ 1,445,580</u>	<u>\$ 4,537,580</u>

HEBER PUBLIC UTILITY DISTRICT

4. LONG-TERM DEBT (Continued):

2012 SRF Wastewater Treatment Expansion Loan

The obligation is with the California State Water Resources Control Board – State Revolving Fund with a principal amount not to exceed \$10,911,131. The net revenues of the Wastewater fund are pledged to secure this obligation. The obligation is for providing financing for the acquisition and installation of improvements to the wastewater treatment plant. The interest rate is 1.00% and matures on January 10, 2043. The principal amount outstanding at June 30, 2016 was \$4,971,034.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 161,288	\$ 49,710	\$ 210,998
2018	162,901	48,097	210,998
2019	164,530	46,468	210,998
2020	166,175	44,823	210,998
2021	167,837	43,161	210,998
2022-2026	864,698	190,293	1,054,991
2027-2031	908,806	146,185	1,054,991
2032-2036	955,164	99,827	1,054,991
2037-2041	1,003,887	51,104	1,054,991
2042-2043	415,748	6,247	421,995
	<u>\$ 4,971,034</u>	<u>\$ 725,915</u>	<u>\$ 5,696,949</u>

HEBER PUBLIC UTILITY DISTRICT

5. SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY:

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

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

Settled claims have not exceeded any of the District's coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ended June 30, 2016.

6. PENSION PLANS:

a. General Information about the Pension Plans:

Plan Descriptions:

All qualified permanent and probationary employees are eligible to participate in the District's 2.0% at 55 (Tier I), 2.0% at 60 (Tier II), and 2.0% at 62 (Tier III PEPR) Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

6. PENSION PLANS (CONTINUED):

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

Benefits Provided:

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age fifty (50) with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after ten (10) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

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

Contributions:

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

HEBER PUBLIC UTILITY DISTRICT

6. PENSION PLANS (CONTINUED):

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	<u>\$ 446,488</u>

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, 2015, 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, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for all Plans as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2014	0.01261%
Proportion - June 30, 2015	0.01627%
Change - Increase (Decrease)	0.00366%

HEBER PUBLIC UTILITY DISTRICT

6. PENSION PLANS (CONTINUED):

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

For the year ended June 30, 2016, the District recognized pension expense of \$69,607. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 93,108	\$ -
Differences between actual and expected experience	5,299	-
Change in assumptions	-	(50,131)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	104,643	-
Net differences between projected and actual earnings on plan investments	-	(25,132)
Total	<u>\$ 203,050</u>	<u>\$ (75,263)</u>

\$93,107 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 2,933
2018	2,565
2019	(2,944)
2020	32,125
2021	-
Thereafter	-
	<u>\$ 34,679</u>

6. PENSION PLANS (CONTINUED):

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

Actuarial Assumptions:

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

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

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

GASB 69, paragraph 68 states that the long-term expected rate of return should be determined net pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5% 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.

Change of Assumptions:

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 7.5% used for 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.

6. PENSION PLANS (CONTINUED):

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB 68 Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

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

6. PENSION PLANS (CONTINUED):

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

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

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

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 815,485
Current Discount Rate	7.65%
Net Pension Liability	\$ 446,488
1% Increase	8.65%
Net Pension Liability	\$ 141,840

Pension Plan Fiduciary Net Position:

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

- c. Payable to the Pension Plan:

At June 30, 2016, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

7. COMMITMENTS AND CONTINGENT LIABILITIES:

Grant Audit Contingencies:

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

Litigation:

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

8. SUBSEQUENT EVENTS:

Events occurring after June 30, 2016 have been evaluated for possible adjustments to the financial statements or disclosures as of December 12, 2016 which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HEBER PUBLIC UTILITY DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>
Plan's proportion of the net pension liability	0.01627%	0.01269%
Plan's proportionate share of the net pension liability	\$ 446,488	\$ 313,558
Plan's covered - employee payroll	\$ 760,005	\$ 745,373
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll	58.75%	42.07%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	83.52%	87.25%
Plan's proportionate share of aggregate employer contributions	\$ 82,674	\$ 58,011

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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 7.5% used for 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.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

HEBER PUBLIC UTILITY DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 93,108	\$ 80,895
Contributions in relation to the actuarially determined contributions	<u>(93,108)</u>	<u>(80,895)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 745,373	\$ 745,373
Contributions as a percentage of covered - employee payroll	-12.49%	-10.85%

Notes to Schedule:

Valuation Date 6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry Age Normal - GASB 68
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	27.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	50 years (2%@55 and 2%@60), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, JULY 1	\$ 507,642	\$ 507,642	\$ 507,642	\$ -
RESOURCES (INFLOWS):				
Property taxes	440,000	440,000	543,050	103,050
Charges for services	75,700	75,700	81,604	5,904
Other revenues	8,500	8,500	15,065	6,565
Amount Available for Appropriations	524,200	524,200	639,719	115,519
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	82,800	82,800	86,598	(3,798)
General government	327,350	327,350	338,141	(10,791)
Total Charges to Appropriations	410,150	410,150	424,739	(14,589)
NET CHANGES IN FUND BALANCE	114,050	114,050	214,980	100,930
FUND BALANCE, JUNE 30	\$ 621,692	\$ 621,692	\$ 722,622	\$ 100,930

1. BUDGETS AND BUDGETARY ACCOUNTING:

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