

HESPERIA WATER DISTRICT
COMPONENT UNIT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024



**HESPERIA WATER DISTRICT
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YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hesperia Water District
Hesperia, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Hesperia Water District Funds (District) (a component unit of the City of Hesperia), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2024, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
December 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Hesperia Water District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The District's net position increased by approximately \$5.4 million, or 4.5%, from the June 30, 2023, net position of \$119.4 million. The District's increase in net position to \$124.8 million is due, in large part, to the factors listed below:

- Current and other assets grew \$6.3 million, or 13.3%, during the fiscal year. The contributing factors include a \$4.4 million increase in cash, a \$0.8 million increase in accounts receivable, a \$0.8 increase in inventory, a \$0.1 million increase in interest receivable, and a \$0.2 million increase in funds due from other governmental activities.
- Capital assets experienced a decrease of \$1.0 million, or 1.1%, net of depreciation and amortization. The main contributing factors for the decrease include a \$1.7 million increase in construction in progress, a \$0.9 million increase in machinery and equipment, \$0.4 million increase in vehicles, and a \$0.3 million increase in water and sewer facilities. This is partially offset by a \$3.8 million increase in accumulated depreciation and a \$0.5 million decrease in Subscription-Based Information Technology Agreements (SBITAs).
- Current and other liabilities were relatively unchanged from the June 30, 2023 balance of \$11.6 million.
- Long-term debt outstanding activity during the fiscal year experienced a net decrease of \$0.4 million in FY 2023-24. The decrease is primarily due to a scheduled \$0.2 million loan payment to the California State Water Resource Control Board and a \$0.3 million decrease in subscription-based agreements. This is offset by a \$0.1 million increase in compensated absences.
- Net Pension Liability increased by \$0.6 million to \$8.3 million in FY 2023-24 due to an increase in the District's proportionate share of pension obligations to the retirement system.

USING THIS ANNUAL REPORT

The basic financial statements of the District consist of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position provides information about the activities of the District as a whole and with the water and sewer functions separately. It also presents a longer-term view of the District's finances.

The Statement of Revenues, Expenses, and Changes in Net Position describes how the services of the District were financed in the short-term, as well as what remains for future spending. The Statement also provides information on the District's operations and can be used to determine whether the District has recovered all its costs through its rates and other charges. This statement can also be used to determine the District's credit worthiness and profitability.

The Statement of Cash Flows provides information regarding the District's cash receipts, cash payments, and changes in cash resulting from operating activities, investing activities, and financing activities. Additionally, the Statement of Cash Flows provides explanations for where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

REPORTING THE DISTRICT AS A WHOLE

Financial Statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position include all assets, deferred inflows/outflows, and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are recorded regardless of when the cash is received or paid.

These two statements report the District's net position and changes in it. The District's financial health or financial position is measured by its net position – the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources.

Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will also need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

THE DISTRICT AS A WHOLE

The Water District maintains the water and sewer infrastructure, including water storage tanks, water pumping equipment, water transmission lines, and sewer lines. The Water District charges its users fees to maintain and operate the system. To display the financial health of the Water District, our analysis focuses on the Condensed Statement of Net Position (Table 1) and Changes in Net Position (Table 2) of the District as depicted on the following pages. In the current year, net position increased by 4.5% or approximately \$5.4 million.

Table 1
Condensed Statement of Net Position

	2023	2024	Changes from 2023 to 2024	
			Amount	Percentage
Current and other assets	\$ 47,344,375	\$ 53,619,531	\$ 6,275,156	13.3%
Capital assets	96,817,180	95,791,864	(1,025,316)	-1.1%
Total Assets	144,161,555	149,411,395	5,249,840	3.6%
Deferred outflows of resources	3,742,665	3,680,142	(62,523)	-1.7%
Current and other liabilities	11,621,677	11,581,725	(39,952)	-0.3%
Long-term debt outstanding	6,431,098	5,997,909	(433,189)	-6.7%
Net pension liability	7,688,827	8,275,076	586,249	7.6%
Total Liabilities	25,741,602	25,854,710	113,108	0.4%
Deferred inflows of resources	2,728,696	2,436,643	(292,053)	-10.7%
Net Position:				
Net Investment in Capital Assets	90,894,471	89,123,932	(1,770,539)	-1.9%
Restricted	385,528	385,528	-	0.0%
Unrestricted	28,153,923	35,290,724	7,136,801	25.3%
Total Net Position	\$ 119,433,922	\$ 124,800,184	\$ 5,366,262	4.5%

The following is a list of factors that explain the \$5.4 million increase in net position:

- Current and other assets increased by \$6.3 million, or 13.3%, during the fiscal year. The contributing factors include a \$4.4 million increase in cash, a \$0.8 million increase in accounts receivable, a \$0.8 increase in inventory, a \$0.1 million increase in interest receivable, and a \$0.2 million increase in funds due from other governmental activities.
- Capital assets experienced a decrease of \$1.0 million, or 1.1%, net of depreciation and amortization. The main contributing factors for the decrease include a \$1.7 million increase in construction in progress, a \$0.9 million increase in machinery and equipment, \$0.4 million increase in vehicles, and a \$0.3 million increase in water and sewer facilities. This is partially offset by a \$3.8 million increase in accumulated depreciation and a \$0.5 million decrease in Subscription-Based Information Technology Agreements (SBITAs).
- Current and other liabilities were relatively unchanged from the June 30, 2023 balance of \$11.6 million.
- Long-term debt outstanding activity during the fiscal year experienced a net decrease of \$0.4 million in FY 2023-24. The decrease is primarily due to a scheduled \$0.2 million loan payment to the California State Water Resource Control Board and a \$0.3 million decrease in subscription-based agreements. This is offset by an increase of \$0.1 increase in compensated absences. Further analysis is detailed within the debt administration section (Table 4).
- Net Pension Liability increased to \$8.3 million in FY 2023-24 from the \$7.7 million total from June 30, 2023 due to an increase in the District's proportionate share of pension obligations as reported by the California Public Employees Retirement System (CalPERS).

DISTRICT ACTIVITIES

As mentioned, the Water District's net position (from operations) increased \$5.4 million, or 4.5%, from the June 30, 2023, net position. Whereas Table 1 focused on the asset and liabilities of the Water District, Table 2 focuses on the District's revenue and expenses. The cost of all Water District activities this year increased \$4.2 million, or 15.3%, compared to June 30, 2023. The primary contributing factors for the overall increase in expenses include a \$1.2 million increase in water and sewer employee pension costs, a \$1.1 million increase in wastewater treatment fees, a \$0.7 million increase in general and administrative expenses, and a \$0.4 million increase in electricity costs related to water production. Moreover, the amount paid by users of the system was \$32.4 million, which was relatively unchanged from June 30, 2023.

Table 2
Changes in Net Position

	2023	2024	Changes from 2023 to 2024	
			Amount	Percentage
Revenues				
Operating revenues:				
Charges for services	\$ 32,354,740	\$ 32,444,477	89,737	0.3%
Non-operating revenues (expenses):				
Property taxes	717,089	1,136,372	419,283	58.5%
Investment Income	621,878	2,052,153	1,430,275	230.0%
System improvement and replacement	2,172,386	1,444,256	(728,130)	-33.5%
Rent income	232,488	234,175	1,687	0.7%
Proceeds from sale of equipment	6,893	-	(6,893)	-100.0%
Grants received	-	74,550	74,550	100.0%
Gain on Disposal of Capital Asset	-	3,050	3,050	100.0%
Interest Expense	(67,648)	(61,305)	6,343	-9.4%
Total non-operating revenues (expenses)	3,683,086	4,883,251	1,200,165	32.6%
Total revenues and non-operating expenses	36,037,826	37,327,728	1,289,902	3.6%
Expenses				
Water	21,774,794	24,278,012	2,503,218	11.5%
Wastewater	5,947,851	7,683,454	1,735,603	29.2%
Total expenses	27,722,645	31,961,466	4,238,821	15.3%
Change in net position	8,315,181	5,366,262	(2,948,919)	-35.5%
Net position at July 1,	111,118,741	119,433,922	8,315,181	7.5%
Net position at June 30,	\$ 119,433,922	\$ 124,800,184	\$ 5,366,262	4.5%

Total revenues and non-operating expenses increased \$1.3 million, or 3.6%, from \$36.0 million to \$37.3 million between fiscal year 2022-23 and fiscal year 2023-24. The main contributing factors for the overall increase include a \$1.4 million increase in investment income from increased interest rates and a \$0.4 million increase in property taxes. These increases were partially offset by a \$0.7 million decrease in system improvements and replacement from additional water meters added to the water system.

CAPITAL ASSETS

The capital assets of the District are those assets that are used in the performance of the District's functions, including infrastructure assets. As of June 30, 2024, capital assets, net of depreciation, totaled \$95.8 million, which is a decrease of \$1.0 million from the June 30, 2023, total of \$96.8 million as shown in the Capital Assets at Year-End (Table 3). This decrease is primarily due to a \$3.8 million decrease for the current year depreciation and \$0.5 million decrease in SBITAs. This decrease is partially offset by a \$1.7 million net increase in construction in progress, a \$0.9 million increase in machinery and equipment, \$0.4 million net increase in vehicles, and a \$0.3 million increase in water facilities.

The District has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting for water lines. Using the "Basic Approach", the District will depreciate the value of infrastructure over a forty (40) year period. As the replacement of water line segments is done, the value of that work will be added, and any remaining book value of the replaced segment will be reduced from the water facilities infrastructure class. The District's other capital assets are depreciated as outlined in Note 4 to the Basic Financial Statements.

Table 3
Capital Assets at Year-End

	Balance at June 30, 2023, Net of Accumulated Depreciation	Increases	Decreases	Net Current Year Depreciation	Balance at June 30, 2024, Net of Accumulated Depreciation
Land	\$ 5,736,655	\$ -	\$ -	\$ -	\$ 5,736,655
Water rights	17,793,410	-	-	-	17,793,410
Construction in progress	1,107,295	2,052,196	(317,762)	-	2,841,729
Land improvements	1	-	-	-	1
Vehicles	928,584	722,790	(282,900)	73,402	1,441,876
Buildings and improvements	193,935	-	-	(12,564)	181,371
Machinery and equipment	1,005,903	855,613	-	(228,929)	1,632,587
Infrastructure:					
Water facilities	65,504,702	317,762	-	(3,580,209)	62,242,255
Sewer facilities	4,158,143	-	-	(308,913)	3,849,230
Leased Equipment	34,168	-	-	(8,368)	25,800
SBITAs	354,384	5,003	(554,236)	241,799	46,950
Total	<u>\$ 96,817,180</u>	<u>\$ 3,953,364</u>	<u>(1,154,898)</u>	<u>(3,823,782)</u>	<u>\$ 95,791,864</u>

DEBT ADMINISTRATION

Debt issued by the Hesperia Water District is not the responsibility of the City of Hesperia. In like manner, the debt issued by the City of Hesperia is not the responsibility of the Hesperia Water District. The District's debt experienced a net decrease of \$0.4 million in fiscal year 2023-24. The decrease is primarily due to the payment of \$0.2 million for the California State Water Resources Control Board Loan and the \$0.3 million net reduction in subscription-based agreements. This is offset by a net increase of \$0.1 million in compensated absences Table 4 highlights the long-term debt transactions that occurred during the year. Note 5 provides more detailed information about debt.

Table 4
Outstanding Debt at Year-End

	Principal Balance at June 30, 2023	Additions	Deductions	Principal Balance at June 30, 2024	Due Within One Year
Loans	\$ 5,527,928	\$ -	\$ (179,356)	\$ 5,348,572	181,150
Compensated Absences	346,500	327,162	(237,820)	435,842	427,126
Claims payable	175,337	56,578	(82,772)	149,143	54,150
Leases	34,511	-	(8,053)	26,458	8,314
SBITAs	346,822	5,096	(314,024)	37,894	37,455
Total	<u>\$ 6,431,098</u>	<u>\$ 388,836</u>	<u>\$ (822,025)</u>	<u>\$ 5,997,909</u>	<u>\$ 708,195</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As reflected in the Fiscal Year 2024-25 Budget, the District's overall revenue for the water and sewer funds is expected to remain relatively unchanged from the FY 2023-24 Budget at \$36.4 million. While the District's overall revenue is anticipated to remain relatively unchanged, sewer operating is expected to increase by \$0.2 million, which reflects an expanding customer base from projected development activity connecting to sewer. In addition, all other district revenue is expected to increase by \$1.3 million, which is largely composed of interest income, property tax, delinquency fees, and water meter fees. This is primarily offset by the decrease of \$1.5 million in one-time grant revenues from the FY 2023-24 Budget.

The District's expenses are expected to decrease by \$2.3 million from the Fiscal Year 2023-24 Budget of \$37.6 million. The primary contributing factors for the expenditure decrease is a \$2.1 million decrease in capital improvement projects related to progress being made on the I-15 Corridor infrastructure project and the completion of the FY 2019-20 Water Service Line Relocation Project, as well as a \$0.2 million decrease in engineering contract services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Division, at the Hesperia Water District, 9700 Seventh Avenue, Hesperia, California 92345.

BASIC FINANCIAL STATEMENTS

**HESPERIA WATER DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024**

	Water Operations and Capital	Sewer Operations and Capital	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 25,090,594	\$ 16,416,118	\$ 41,506,712
Receivables:			
Accounts	5,629,172	1,072,893	6,702,065
Accrued Interest	264,983	172,718	437,701
Due from Other Governmental Agencies	86,620	63,601	150,221
Leases	979,604	-	979,604
Deposits	14,328	22,614	36,942
Inventories	2,270,660	-	2,270,660
Due from the City of Hesperia	292,719	37,125	329,844
Total Current Assets	<u>34,628,680</u>	<u>17,785,069</u>	<u>52,413,749</u>
Noncurrent Assets:			
Other Noncurrent Assets:			
Deposits for Self-Insurance	1,079,854	125,928	1,205,782
Total Other Noncurrent Assets	<u>1,079,854</u>	<u>125,928</u>	<u>1,205,782</u>
Capital Assets:			
Land	1,461,771	4,274,884	5,736,655
Water Rights	17,793,410	-	17,793,410
Construction in Progress	13,998	2,827,731	2,841,729
Land Improvements	534,168	-	534,168
Vehicles	2,608,562	388,339	2,996,901
Machinery and Equipment	5,695,840	586,598	6,282,438
Buildings and Improvements	4,509,810	-	4,509,810
Water and Sewer Facilities	143,160,607	9,733,512	152,894,119
Leased Assets, Right to Use	41,841	-	41,841
SBITA Assets	93,568	12,106	105,674
Less: Accumulated Depreciation	(91,283,886)	(6,586,230)	(97,870,116)
Less: Accumulated Amortization, Leases	(16,041)	-	(16,041)
Less: Accumulated Amortization, SBITA	(51,878)	(6,846)	(58,724)
Total Capital Assets	<u>84,561,770</u>	<u>11,230,094</u>	<u>95,791,864</u>
Total Noncurrent Assets	<u>85,641,624</u>	<u>11,356,022</u>	<u>96,997,646</u>
Total Assets	120,270,304	29,141,091	149,411,395
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Outflows	267,319	-	267,319
Deferred Pension Outflows	2,959,941	452,882	3,412,823
Total Deferred Outflows of Resources	<u>3,227,260</u>	<u>452,882</u>	<u>3,680,142</u>

See accompanying Notes to Basic Financial Statements.

**HESPERIA WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2024**

	Water Operations and Capital	Sewer Operations and Capital	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 3,889,750	\$ 1,465,842	\$ 5,355,592
Contracts and Retainage Payable	-	92,105	92,105
Accrued Interest Payable	23,251	205	23,456
Deposits	726,259	-	726,259
Due to the City of Hesperia	-	1,462	1,462
Due to Other Governments	-	295,558	295,558
Compensated Absences	382,616	44,510	427,126
Claims Payable	43,320	10,830	54,150
Lease Liability	8,314	-	8,314
SBITA Liability	33,153	4,302	37,455
Loans Payable Due Within One Year	181,150	-	181,150
Total Current Liabilities	<u>5,287,813</u>	<u>1,914,814</u>	<u>7,202,627</u>
Noncurrent Liabilities:			
Net OPEB Liability	876,882	-	876,882
Net Pension Liability	7,176,973	1,098,103	8,275,076
Unearned Revenue	-	4,210,411	4,210,411
Compensated Absences	7,808	908	8,716
Claims Payable	75,898	19,095	94,993
Lease Liability	18,144	-	18,144
SBITA Liability	351	88	439
Loan Payable	5,167,422	-	5,167,422
Total Noncurrent Liabilities	<u>13,323,478</u>	<u>5,328,605</u>	<u>18,652,083</u>
Total Liabilities	18,611,291	7,243,419	25,854,710
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Inflows	1,277,605	-	1,277,605
Deferred Pension Inflows	213,114	32,607	245,721
Deferred Leases Inflows	913,317	-	913,317
Total Deferred Inflows of Resources	<u>2,404,036</u>	<u>32,607</u>	<u>2,436,643</u>
NET POSITION			
Net Investment in Capital Assets	78,914,200	10,209,732	89,123,932
Restricted for Debt Service	385,528	-	385,528
Unrestricted	23,182,509	12,108,215	35,290,724
Total Net Position	<u>\$ 102,482,237</u>	<u>\$ 22,317,947</u>	<u>\$ 124,800,184</u>

See accompanying Notes to Basic Financial Statements.

**HESPERIA WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2024**

	Water Operations and Capital	Sewer Operations and Capital	Total
OPERATING REVENUES			
Water Sales	\$ 24,731,160	\$ -	\$ 24,731,160
Water Services	1,059,529	-	1,059,529
Sewer Services	-	6,476,134	6,476,134
Other	131,787	45,867	177,654
Total Operating Revenues	<u>25,922,476</u>	<u>6,522,001</u>	<u>32,444,477</u>
OPERATING EXPENSES			
General and Administrative	5,553,832	1,152,410	6,706,242
Engineering	722,993	171,799	894,792
Production	7,638,282	-	7,638,282
Distribution	2,854,514	-	2,854,514
Wastewater Collection	-	5,963,240	5,963,240
Customer Service	3,243,478	-	3,243,478
Depreciation and Amortization	4,264,913	396,005	4,660,918
Total Operating Expenses	<u>24,278,012</u>	<u>7,683,454</u>	<u>31,961,466</u>
OPERATING INCOME (LOSS)	1,644,464	(1,161,453)	483,011
NONOPERATING REVENUES			
Unrestricted System Improvement and Replacement	1,444,256	-	1,444,256
Property Taxes	1,136,360	-	1,136,360
Property Taxes - Debt Service	12	-	12
Rent Income	234,175	-	234,175
Investment Income	1,185,683	866,470	2,052,153
Interest Expense	(60,987)	(318)	(61,305)
Grants Received	74,550	-	74,550
Gain on Disposal of Capital Assets	3,050	-	3,050
Total Nonoperating Revenues, Net	<u>4,017,099</u>	<u>866,152</u>	<u>4,883,251</u>
CHANGE IN NET POSITION	5,661,563	(295,301)	5,366,262
Net Position - Beginning of Year	<u>96,820,674</u>	<u>22,613,248</u>	<u>119,433,922</u>
NET POSITION - END OF YEAR	<u><u>\$ 102,482,237</u></u>	<u><u>\$ 22,317,947</u></u>	<u><u>\$ 124,800,184</u></u>

See accompanying Notes to Basic Financial Statements.

**HESPERIA WATER DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024**

	Water Operations and Capital	Sewer Operations and Capital	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Water and Sewer Customers	\$ 25,021,174	\$ 6,834,196	\$ 31,855,370
Cash Received from Other Operating Receipts	131,787	45,867	177,654
Cash Payments for Water Purchases	(8,296,389)	-	(8,296,389)
Cash Payments for Sewer Collection and Maintenance	-	(5,640,531)	(5,640,531)
Cash Payments for Services and Supplies	(3,695,327)	-	(3,695,327)
Cash Payments to Employees for Services	(9,217,561)	(1,238,102)	(10,455,663)
Cash Received from Rent	234,175	-	234,175
Net Cash Provided by Operating Activities	4,177,859	1,430	4,179,289
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Grants Received	74,550	-	74,550
Property Taxes Received	1,136,372	-	1,136,372
Cash Paid to the City of Hesperia	(203,326)	24,836	(178,490)
Net Cash Provided by Noncapital and Related Financing Activities	1,007,596	24,836	1,032,432
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(1,583,567)	(2,047,032)	(3,630,599)
Unrestricted System Improvement and Replacement Receipts	1,444,256	-	1,444,256
Proceeds from Sale of Assets	3,050	-	3,050
Lease Payments	(8,053)	-	(8,053)
SBITA Payments	(310,053)	(3,971)	(314,024)
Interest Payments on Long-Term Debt	(62,754)	(247)	(63,001)
Principal Payments on Long-Term Debt	(179,356)	-	(179,356)
Net Cash Used by Capital Financing Activities	(696,477)	(2,051,250)	(2,747,727)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income Received	1,064,380	824,843	1,889,223
Net Cash Provided by Investing Activities	1,064,380	824,843	1,889,223
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,553,358	(1,200,141)	4,353,217
Cash and Cash Equivalents - Beginning of Year	19,537,236	17,616,259	37,153,495
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 25,090,594	\$ 16,416,118	\$ 41,506,712

See accompanying Notes to Basic Financial Statements.

**HESPERIA WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024**

	Water Operations and Capital	Sewer Operations and Capital	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 1,644,464	\$ (1,161,453)	\$ 483,011
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	4,264,913	396,005	4,660,918
Rent income	234,175	-	234,175
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
(Increase) Decrease in:			
Accounts Receivable	(720,621)	(110,764)	(831,385)
Deposits	19,008	(1,937)	17,071
Inventory	(822,939)	-	(822,939)
Due from Other Governments	(77,984)	(57,329)	(135,313)
Deferred Outflows on Pension	36,665	(3,107)	33,558
Deferred Outflows on OPEB	28,965	-	28,965
Increase (Decrease) in:			
Accounts and Claims Payable	(694,989)	37,839	(657,150)
Customer Deposits	29,090	-	29,090
Due to Other Governments	-	295,558	295,558
Net OPEB Obligation	(259,565)	-	(259,565)
Deferred Revenue	-	526,155	526,155
Net Pension Liability	491,588	94,661	586,249
Compensated Absences	76,924	12,418	89,342
Deferred OPEB Inflows	109,620	-	109,620
Deferred Inflows on Pension	(181,455)	(26,616)	(208,071)
Total Adjustments	<u>2,533,395</u>	<u>1,162,883</u>	<u>3,696,278</u>
Net Cash Provided by Operating Activities	<u>\$ 4,177,859</u>	<u>\$ 1,430</u>	<u>\$ 4,179,289</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
SBITA Additions	\$ 4,076	\$ 1,020	\$ 5,096
Change in Unrealized Gain (Loss) in Fair Value of Investments	<u>\$ 76,384</u>	<u>\$ 56,301</u>	<u>\$ 132,685</u>

See accompanying Notes to Basic Financial Statements.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hesperia Water District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District was organized on March 28, 1975 pursuant to Section 30000 et seq. of the California Water Code. The District has two main areas of responsibility that are as follows:

Water Operations and Capital – The Water Division’s main objective is to deliver and ensure adequate supplies of water. The water is to meet all drinking water quality regulations and to maintain District Facilities to ensure unobstructed flows during water runoff.

Sewer Operations and Capital – The Sewer Division’s main objective is to transmit and ensure continuous unobstructed flows of sewage to the regional plant.

The District is an integral part of the reporting entity of the City of Hesperia (the City). The accounts of the District have been included within the scope of the basic financial statements of the City because the City Council has financial accountability over the operations of the District.

B. Basis of Presentation

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

C. Measurement Focus and Basis of Accounting

“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. The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

Cash and investments are pooled with City of Hesperia for investment purposes, with interest being allocated quarterly to all funds legally requiring allocation and to other various funds at the direction of management based on average month-end pooled funds' cash and investment balances. Interest income for cash and investments excluded from pooled cash is credited directly to the related fund. Investment policies applicable to the District's funds are those of the City and are included in the notes to the City's basic financial statements.

E. Capital Assets

Tangible capital assets, which include land, buildings, building improvements, infrastructure, equipment, leases, and SBITAs are depreciated/amortized and are reported in the government-wide financial statements. District policy has set the capitalization threshold for reporting capital assets at \$5,000 that have a useful life of more than one year. The District also records the value of the intangible right-to-use assets based on the underlying lease assets and SBITA guidance.

Tangible capital assets have an estimated useful life greater than one year and are valued at historical cost or estimated cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of acquisition. 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 capital asset category upon completion of the project.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. Also, right to use the intangible assets, such as lease assets and SBITAs are amortized each year for the term of the contract. Land and construction in progress are not depreciated:

	<u>Years</u>
Buildings	30 – 50
Improvements	20
Machinery and Equipment	5 – 30
Vehicles	8 – 20
Water and Sewer Facilities	40
Infrastructure	20

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The category of deferred outflow of resources reported in the government wide statement of net position and the proprietary funds financial statements and is related to pension and other postemployment benefits. Deferred outflows on pension and other postemployment benefits are more fully discussed in Notes 7 and 8, respectively.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Notes 7 and 8, respectively. The District's deferred inflows of resources reported on the statement of net position also include balances related to leases for amounts not yet received. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are available or earned.

G. Receivables

All accounts, taxes, and service receivables are shown net of an allowance for uncollectibles of \$183,658.

H. Inventories

Inventories are valued at cost on a first-in, first-out basis. The inventory consists of meters, pipes, and other parts required providing water and wastewater services to customers and is recorded on the consumption basis.

I. Leases

When the District is a lessee, a lease liability and a lease asset is recognized at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Leases (Continued)

When the District is a lessor, a lease receivable and a deferred inflow of resources is recognized at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

J. Subscription-Based Information Technology Arrangements (SBITAs)

The District recognizes a SBITA liability and a SBITA asset at the commencement of the SBITA term, unless the SBITA is a short-term contract. The SBITA liability should be measured at the present value of payments expected to be made during the contract term. The SBITA asset should be measured at the amount of the initial measurement of the SBITA liability, plus any implementation costs.

K. Net Position

In the statement of net position, the net position is classified in the following categories:

- *Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt and payables that are attributed to the acquisition, construction, or improvement of the assets.
- *Restricted Net Position* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted Net Position* – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

L. 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 Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and investments at June 30, 2024 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Cash Equivalents	\$ 41,506,712
Total Cash and Investments	<u>\$ 41,506,712</u>

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by a bond trustee that are governed by the provisions of debt agreements of the District's, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 Years	Unlimited	None
U.S. State or Local Agency Securities	5 Years	Unlimited	None
Banker's Acceptances	180 Days	25%	5%
Commercial Paper	270 Days	15%	10%
Negotiable Certificates of Deposit	5 Years	25%	None
Repurchase Agreements	1 Year	20%	None
Local Agency Investment Fund (LAIF)	N/A	Unlimited	None
Medium-Term Notes	5 Years	30%	None
Mutual and Money Market Funds	N/A	20%	10%
Collateralized Bank Deposits	5 Years	10%	None
Investment Pools	N/A	30%	None
Municipal Bonds	5 Years	10%	None
Supranational Obligations	5 Years	30%	None
Public Bank Obligations	5 Years	100%	None

* Excluding amounts held by bond trustee that are not subject to California government code restrictions.

Investments Authorized by Debt Agreements

Investments authorized for funds held by bond trustees include U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Bankers' Acceptances, Money Market Mutual Funds, Repurchase Agreements, Investment Contracts, and any other investments permitted by bond insurer and are legal investments under state laws. There were no limitations on the maximum amount that can be invested in one issuer or maximum percentage allowed.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Disclosures Related to Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Fair Value Measurements

The District's cash and investments are pooled with the City of Hesperia's cash and investments. Additional disclosures regarding pooled investments related to interest rate risk, credit risk, custodial credit risk, and fair value measurements are available in the City of Hesperia's Annual Comprehensive Financial Report.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. 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 amounts included in the investment pool of the City of Hesperia is not subject to fair value measurement.

NOTE 3 LEASES

The District, acting as lessor, leases parcels of land for communications towers under long-term, noncancelable lease agreements. The leases expire at various dates through 2031, provide for renewal options in five-year increments, and have interest rates ranging from 0.83% to 2.38%. During the year ended June 30, 2024, the District recognized \$193,601, \$24,273, and \$23,298 in lease revenue, interest revenue, and variable payments, respectively, pursuant to these contracts. Leases receivable activity and balances are as follows:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>
Leases Receivable	\$ 1,157,518	\$ -	\$ (177,914)	\$ 979,604

HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance at June 30, 2023	Increases	Decreases	Balance at June 30, 2024
Capital Assets, Not Being Depreciated:				
Land	\$ 5,736,655	\$ -	\$ -	\$ 5,736,655
Water Rights	17,793,410	-	-	17,793,410
Construction in Progress	1,107,295	2,052,196	(317,762)	2,841,729
Total Capital Assets, Not Being Depreciated	24,637,360	2,052,196	(317,762)	26,371,794
Capital Assets Being Depreciated:				
Land Improvements	534,168	-	-	534,168
Vehicles	2,557,011	722,790	(282,900)	2,996,901
Machinery and Equipment	5,426,825	855,613	-	6,282,438
Buildings and Improvements	4,509,810	-	-	4,509,810
Water Facilities	142,842,845	317,762	-	143,160,607
Sewer Facilities	9,733,512	-	-	9,733,512
Total Capital Assets, Being Depreciated	165,604,171	1,896,165	(282,900)	167,217,436
Less Accumulated Depreciation for:				
Land Improvements	(534,167)	-	-	(534,167)
Vehicles	(1,628,427)	(209,498)	282,900	(1,555,025)
Machinery and Equipment	(4,420,922)	(228,929)	-	(4,649,851)
Buildings and Improvements	(4,315,875)	(12,564)	-	(4,328,439)
Water Facilities	(77,338,143)	(3,580,209)	-	(80,918,352)
Sewer Facilities	(5,575,369)	(308,913)	-	(5,884,282)
Total Accumulated Depreciation	(93,812,903)	(4,340,113)	282,900	(97,870,116)
Total Capital Assets, Being Depreciated, Net	71,791,268	(2,443,948)	-	69,347,320
Leased Assets Being Depreciated:				
Right to Use Asset - Equipment	41,841	-	-	41,841
Accumulated Amortization	(7,673)	(8,368)	-	(16,041)
Total Leased Assets, Being Depreciated, Net	34,168	(8,368)	-	25,800
Leased Assets Being Depreciated:				
Right to Use Asset - Equipment	654,907	5,003	(554,236)	105,674
Accumulated Amortization	(300,523)	(312,437)	554,236	(58,724)
Total Leased Assets, Being Depreciated, Net	354,384	(307,434)	-	46,950
Total Capital Assets, Net	\$ 96,817,180	\$ (707,554)	\$ (317,762)	\$ 95,791,864

Depreciation and amortization expense for the year ended June 30, 2024 was \$4,264,913 for Water operations and capital and \$396,005 for Sewer operations and capital.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM DEBT

The summary of changes in principal balance of long-term debt for the year ended June 30, 2024:

	Principal Balance at June 30, 2023	Additions	Deductions	Principal Balance at June 30, 2024	Due Within One Year
Direct Borrowings:					
Loan Payable - SRF	\$ 5,527,928	\$ -	\$ (179,356)	\$ 5,348,572	\$ 181,150
Other Debt:					
Leases	34,511	-	(8,053)	26,458	8,314
SBITA Liabilities	346,822	5,096	(314,024)	37,894	37,455
Other Long-Term Liabilities:					
Compensated Absences	346,500	327,162	(237,820)	435,842	427,126
Claims Payable	175,337	56,578	(82,772)	149,143	54,150
Total Long-Term Debt	<u>\$ 6,431,098</u>	<u>\$ 388,836</u>	<u>\$ (822,025)</u>	<u>\$ 5,997,909</u>	<u>\$ 708,195</u>

Long-term debt at June 30, 2024 is comprised of the following issues:

SRF Loan Payable	\$ 5,348,572
Leases	26,458
SBITAs	37,894
Compensated Absences	435,842
Claims Payable	149,143
Total Long-Term Debt Before Current Portion	5,997,909
Less: Current Portion - Due Within One Year	(708,195)
Total Long-Term Portion of Long-Term Debt	<u>\$ 5,289,714</u>

State Revolving Fund Loan

On December 15, 2015, the Hesperia Water District Board of Directors approved a California Clean Water State Revolving Fund Loan with the California State Water Resources Control Board to finance the construction of a reclaimed water pipeline distribution system. State approval was obtained on September 23, 2016 in an amount up to \$9,946,413 at 1% interest, with repayment of principal and interest on the 30-year loan commencing one year after the completion of construction. Construction was completed in 2020 and total draws amounted to \$6,012,919.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

State Revolving Fund Loan (Continued)

The annual debt service requirements by year for the State Revolving Fund Loan are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 181,150	\$ 53,486	\$ 234,636
2026	182,962	51,674	234,636
2027	184,791	49,845	234,636
2028	186,639	47,997	234,636
2029	188,506	46,130	234,636
2030 - 2034	971,183	201,996	1,173,179
2035 - 2039	1,020,723	152,456	1,173,179
2040 - 2044	1,072,791	100,389	1,173,180
2045 - 2049	1,127,513	45,665	1,173,178
2050	232,314	2,323	234,637
Total	<u>\$ 5,348,572</u>	<u>\$ 751,961</u>	<u>\$ 6,100,533</u>

Leases

The District leases equipment for various terms under long-term noncancelable lease agreements. The leases expire at various dates through 2028, do not contain renewal options, and have interest rates ranging from 0.30% to 3.497%. As of June 30, 2024, the District lease assets and the related accumulated amortization totaled \$41,841 and \$16,041, respectively. See more details of these balances in Note 4, Capital Assets.

Total future minimum lease payments under lease agreements are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 8,314	\$ 718	\$ 9,032
2026	8,582	449	9,031
2027	7,909	173	8,082
2028	1,653	16	1,669
Total	<u>\$ 26,458</u>	<u>\$ 1,356</u>	<u>\$ 27,814</u>

The lease liability is recorded as follows:

Lease Liability by Fund

Water Fund	\$ 26,458
Subtotal - Business-Type Activities	<u>\$ 26,458</u>

SBITAs

The District has entered into subscription based-information technology arrangements (SBITAs) for various software, cloud services, and online system subscriptions. The SBITA arrangements expire at various dates through 2026 and provide for renewal options. The District's SBITA arrangements do not have variable payments.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 LONG-TERM DEBT (CONTINUED)

SBITAs (Continued)

As of June 30, 2024, the District SBITA assets and the related accumulated amortization totaled \$105,674 and \$58,724, respectively. See more details of these balances in Note 4, Capital Assets.

The future subscription payments under SBITA agreements are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 37,455	\$ 1,161	\$ 38,616
2025	439	1	440
Total	<u>\$ 37,894</u>	<u>\$ 1,162</u>	<u>\$ 39,056</u>

SBITA liabilities are recorded as follows:

<u>SBITA Liabilities by Fund</u>	
Water Fund	\$ 33,504
Sewer Fund	4,390
Subtotal - Business-Type Activities	<u>\$ 37,894</u>

NOTE 6 SELF-INSURANCE RISK POOL

Public Entity Risk Management Authority

The Water District is a member of the Public Entity Risk Management Authority (PERMA), a joint powers authority of 32 California cities and districts, for the purpose of pooling the District's risk for workers' compensation and general liability insurance with those of other member cities and districts. The governing board of PERMA is comprised of directors nominated and selected by each member city and district. Each governing board member has one vote regarding all financial and management issues coming before the board.

Each member is billed annually for general liability and premiums are paid quarterly for workers' compensation insurance. Estimated premiums for claims to be paid and a reserve are advanced upon joining PERMA. Each year PERMA adjusts its premiums based on District payroll figures, claims paid, and claims incurred but not reported. The District receives audited financial statements of PERMA each year which have been audited by other auditors.

The Water District is self-insured for the first \$250,000 of each claim, pertaining to workers' compensation liability coverage, and PERMA will assume each claim's liability between \$250,000 and \$500,000. For any workers' compensation liability claim exceeding \$500,000, the District is insured by Excess Insurer's Limited Liability for up to \$5,000,000 of each employer's liability claim and up to Statutory for each workers' compensation claim.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 SELF-INSURANCE RISK POOL (CONTINUED)

Public Entity Risk Management Authority (Continued)

For General Liability, the District is self-insured for up to \$50,000. PERMA will assume each claim exceeding \$50,000 to \$1,000,000. For all general liability claims exceeding \$1,000,000, the District is insured by Excess Insurers Limit of Liability for up to \$50,000,000. There were no instances in the past three years where a settlement exceeded the District's general liability coverage.

Changes in the balances of claims liabilities during the years ended June 30 are as follows:

	2024	2023
Unpaid Claims, Beginning of Fiscal Year	\$ 175,337	\$ 216,492
Incurred Claims and Changes in Estimated Claims Liabilities	56,578	216,802
Claim Payments	(82,772)	(257,957)
Unpaid Claims, End of Fiscal Year	<u>\$ 149,143</u>	<u>\$ 175,337</u>

NOTE 7 PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. General Information About the Pension Plans

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 2.7% at 55 formula, eligibility for service retirement is age 55 with at least five years of services. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

A. General Information About the Pension Plans (Continued)

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date	2.7% at 55	2% at 62
Benefit Formula	Five Years of Service	Five Years of Service
Benefit Vesting Schedule	Monthly for Life	Monthly for Life
Benefit Payments	50 to 55+	52 to 67+
Retirement Age		
Monthly Benefits, as a Percentage of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates (1)	7.956%	6.750%
Required Employer Contribution Rates:		
Normal Cost Rate	15.950%	7.680%
Payment of Unfunded Liability	\$ 530,354	\$ -

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. 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. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. During the fiscal year, the District contributed \$1,042,804 to the miscellaneous plan.

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

As of June 30, 2024, the District reported a liability of \$8,275,076 for its proportionate share of the net pension liability which was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension Plans relative to the projected contributions of all participating employers, actuarially determined.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

The District's proportionate share of the net pension liability as of the measurement dates ended June 30, 2022 and 2023, are as follows:

Proportion - June 30, 2022	0.06657 %
Proportion - June 30, 2023	0.06633
Change - Increase (Decrease)	(0.00024)

The District recognized pension expense of \$1,454,542 for the fiscal year ended June 30, 2024 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 1,042,804	\$ -
Differences Between Actual and Expected Experience	422,736	(65,576)
Change in Assumptions	499,604	-
Changes in Employer's Proportion	63,452	(49,482)
Changes in Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	44,418	(130,663)
Net Differences Between Projected and Actual Earnings on Plan Investments	1,339,809	-
Total	<u>\$ 3,412,823</u>	<u>\$ (245,721)</u>

\$1,042,804 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 624,762
2026	424,734
2027	1,036,356
2028	38,446
2029	-

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

Deferred amounts related to the net difference in projected and actual earnings are amortized over five years. Deferred amounts related to the differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between the City's contributions and proportionate share of contributions are amortized over a closed period equal to the average of the expected remaining service lives of all employees provided with pensions through the plans.

Actuarial Assumptions

The total pension liability was based on the following assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

- (1) Varies by entry age and service.
- (2) Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.
- (3) Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter.

Long-Term Expected Rate of Return

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

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

Long-Term Expected Rate of Return (Continued)

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

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return (a) (b)
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	100.00 %	

(a) An expected inflation of 2.3% was used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

Discount Rate

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

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 7 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expense, 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 each plan calculated using the discount rate of 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Net Pension Liability	\$ 12,424,599	\$ 8,275,076	\$ 4,859,662

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. Payables to the Pension Plan

At June 30, 2024, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

A. General Information About OPEB

Plan Descriptions

The District participates in the City's defined benefit other postemployment benefits health care plan, a single employer plan. During fiscal year 2022-2023, the City entered into agreements with Shuster Advisory Group LL, Charles Schwab Trust Bank, and ALTA Trust Company to join other entities in an OPEB and pension 115 Trust. The plan, which is administered by the City, provides certain health-care benefits to retired and disabled employees and their beneficiaries. Specifically, the City provides health insurance for its retired employees according to the Personnel Rules and Regulations. The authority to do so is included annually in the Memorandum of Understanding between the City and each of its employee groups and ultimately passed by Council action. The plan does not issue a separate report.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

B. Liabilities, OPEB Income, and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2024, the District reported a liability of \$876,882 for its proportionate share of the net OPEB liability which was measured as of June 30, 2023. The total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The District's proportionate share of the net OPEB liability was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating funds, actuarially determined.

The District's proportionate share of the OPEB liability as of the measurement dates ended June 30, 2022 and 2023, are as follows:

Proportion - June 30, 2022	26.40000 %
Proportion - June 30, 2023	27.30000
Change - Decrease	0.90000

The District recognized OPEB income of \$76,550 for the fiscal year ended June 30, 2024 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 44,429	\$ -
Differences Between Actual and Expected Experience	-	(254,973)
Changes in Proportion	-	(247,365)
Changes in Assumptions	222,890	(774,318)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	(949)
Total	<u>\$ 267,319</u>	<u>\$ (1,277,605)</u>

\$44,429 reported as deferred outflows of resources resulting from District's contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2025. This amount also represents the current year contributions. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2025	\$ (193,247)
2026	(168,092)
2027	(101,585)
2028	(103,315)
2029	(122,492)
Thereafter	(365,984)

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

B. Liabilities, OPEB Income, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Deferred amounts related to the net difference in projected and actual earnings are amortized over five years. Deferred amounts related to the differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between the City's contributions and proportionate share of contributions are amortized over a closed period equal to the average of the expected remaining service lives of all employees provided with pensions through the plans.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2023, measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	4.88%
Inflation	2.50%
Projected Salary Increase	Aggregate - 2.75%
Expected Long-Term Investment Rate of Return	5.50%
Health-Care Cost Trend Rates	Non-Medicare - 8.50% for 2024, decreasing to 3.45% in 2076 Medicare - 7.50% for 2024, decreasing to 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2023, decreasing to 3.45% in 2076
Mortality, Retirement, Disability, Termination	Derived from CalPERS 2000 - 2019 experience study

Discount Rate

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 75 will often require that the actuary perform complex projections of future benefit payments and asset values. Based on those assumptions, the OPEB plan's fiduciary net position is projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries up to 2059-2060. Subsequent to this date, the OPEB plan's fiduciary net position is not projected to be available for such payments. This has resulted in a blended discount rate of 4.88%, which takes into account the long-term expected rate of 5.5% and the Bond Buyer 20-Bond GO Index municipal bond rate of 3.65%.

**HESPERIA WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

B. Liabilities, OPEB Income, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Change in Assumption

The discount rate was changed from 3.54% to 4.88%.

Expected Long-Term Rate of Return

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

Asset Class Component	Target Allocation Shuster - Balanced	Expected Real Rate of Return
Global Equity	50 %	4.56 %
Fixed Income	48	0.78
Cash	2	(0.50)
Total	100 %	
Assumed Long-Term Rate of Inflation		2.50
Expected Long-Term Net Rate of Return, Rounded		5.50

Sensitivity of the Net OPEB Liability the Changes in the Discount Rate

The following presents the net OPEB liability of the District, calculated using the discount rate for the plan, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 3.88%	Discount Rate 4.88%	1% Increase 5.88%
Net OPEB Liability	\$ 1,023,546	\$ 876,882	\$ 756,343

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health-care cost trend rates that are one percentage point lower or one percentage point higher than the current health-care cost trend rates:

	1% Decrease (1)	Current Health-Care Cost Trend Rates (2)	1% Increase (3)
Net OPEB Liability	\$ 727,324	\$ 876,882	\$ 1,065,428

- (1) Non-Medicare - 7.50% for 2024, decreasing to 2.45% in 2076
 Medicare - 6.50% for 2024, decreasing to 2.45% in 2076
 Medicare (Kaiser) - 5.25% for 2023, decreasing to 2.45% in 2076
 (2) Non-Medicare - 8.50% for 2024, decreasing to 3.45% in 2076
 Medicare - 7.50% for 2024, decreasing to 3.45% in 2076
 Medicare (Kaiser) - 6.25% for 2023, decreasing to 3.45% in 2076
 (3) Non-Medicare - 9.50% for 2024, decreasing to 4.45% in 2076
 Medicare - 8.50% for 2024, decreasing to 4.45% in 2076
 Medicare (Kaiser) - 7.25% for 2023, decreasing to 4.45% in 2076

REQUIRED SUPPLEMENTARY INFORMATION

**HESPERIA WATER DISTRICT
SCHEDULE OF THE HESPERIA WATER DISTRICT CONTRIBUTIONS
CalPERS PENSION PLAN
LAST TEN MEASUREMENT PERIODS**

Fiscal Year-End	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarial Determined)	\$ 1,042,804	\$ 991,750	\$ 879,472	\$ 805,118	\$ 661,300	\$ 568,588	\$ 48,669	\$ 458,173	\$ 413,694	\$ 407,848
Contributions in Relation to the Contractually Required Contribution	(1,042,804)	(991,750)	(879,472)	(805,118)	(661,300)	(568,588)	(48,669)	(458,173)	(413,694)	(407,848)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 4,209,605	\$ 3,720,333	\$ 3,316,337	\$ 3,160,332	\$ 3,314,362	\$ 3,113,931	\$ 3,070,918	\$ 2,922,069	\$ 2,856,162	\$ 2,886,343
Contributions as a Percentage of Covered Payroll ²	24.77%	26.66%	26.52%	25.48%	19.95%	18.26%	1.58%	15.68%	14.48%	14.13%

Notes to Schedule:

Valuation Date	06/30/21	06/30/20	06/30/19	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.30%	2.30%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate Of Return	6.90% (3)	6.90% (3)	7.00% (3)	7.00% (3)	7.00% (3)	7.15% (3)	7.15% (3)	7.65% (3)	7.65% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

(2) Depending on age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) Minimum 50 years.

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study

**HESPERIA WATER DISTRICT
SCHEDULE OF HESPERIA WATER DISTRICT
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CalPERS PENSION PLAN
LAST TEN FISCAL YEARS¹**

Fiscal Year-End Measurement Period	<u>2024</u> <u>2023</u>	<u>2023</u> <u>2022</u>	<u>2022</u> <u>2021</u>	<u>2021</u> <u>2020</u>	<u>2020</u> <u>2019</u>	<u>2019</u> <u>2018</u>	<u>2018</u> <u>2017</u>	<u>2017</u> <u>2016</u>	<u>2016</u> <u>2015</u>	<u>2015</u> <u>2014</u>
District's Proportion of the Net Pension Liability/(Asset)	0.16549%	0.16432%	0.19411%	0.15156%	0.14490%	0.13870%	0.13407%	0.12900%	0.12370%	0.10242%
District's Proportionate Share of the Net Pension Liability/(Asset)	\$ 8,275,076	\$ 7,688,827	\$ 3,685,806	\$ 6,392,987	\$ 5,802,661	\$ 5,227,134	\$ 5,285,098	\$ 4,481,347	\$ 3,393,749	\$ 2,531,398
District's Covered Payroll	\$ 3,720,333	\$ 3,316,337	\$ 3,160,332	\$ 3,314,362	\$ 3,113,931	\$ 3,070,918	\$ 2,922,069	\$ 2,856,162	\$ 2,886,343	\$ 2,947,053
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	222.43%	231.85%	116.63%	192.89%	186.35%	170.21%	180.87%	156.90%	117.58%	85.90%
Plan's Proportionate Share of the Net Position as a Percentage of its Total Pension Liability	77.97%	78.19%	90.49%	77.71%	77.73%	77.69%	75.39%	75.87%	79.89%	81.15%

**HESPERIA WATER DISTRICT
SCHEDULE OF HESPERIA WATER DISTRICT
PROPORTIONATE SHARE OF THE TOTAL/NET OPEB LIABILITY
LAST TEN MEASUREMENT PERIODS***

Fiscal Year-End Measurement Period	<u>2024</u> <u>2023</u>	<u>2023</u> <u>2022</u>	<u>2022</u> <u>2021</u>	<u>2021</u> <u>2020</u>	<u>2020</u> <u>2019</u>	<u>2019</u> <u>2018</u>	<u>2018</u> <u>2017</u>
District's Proportion of Total/Net OPEB	27.30%	26.40%	27.30%	30.00%	29.30%	29.20%	28.90%
District's Proportionate Total/Net OPEB Liability ¹	\$ 876,882	\$ 1,136,447	\$ 1,906,183	\$ 1,938,008	\$ 1,425,282	\$ 1,244,268	\$ 1,651,138
District's Covered-Employee Payroll	\$ 3,720,333	\$ 3,316,337	\$ 3,160,332	\$ 3,314,362	\$ 3,113,931	\$ 3,070,918	\$ 2,922,069
District's Proportionate Share of Total/Net OPEB Liability as a Percentage of its Covered Payroll ¹	23.57%	34.27%	60.32%	58.47%	45.77%	40.52%	56.51%

¹ The District's OPEB trust was established and impacted the OPEB liability in fiscal year ended June 30, 2024.

* Fiscal year 2018 was the first year of implementation and therefore only seven years are shown.

**HESPERIA WATER DISTRICT
SCHEDULE OF HESPERIA WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS OPEB
LAST TEN MEASUREMENT PERIODS***

Fiscal Year-End	<u>June 30, 2024</u>
Measurement Date	<u>June 30, 2023</u>
Actuarially Determined Contribution	\$ 79,170
Contributions in Relation to the Actuarially Determined Contributions	<u>(44,429)</u>
Contribution Deficiency (Excess)	<u>\$ 34,741</u>
Covered - Employee Payroll	\$ 4,209,605
Contributions as a Percentage of Covered - Employee Payroll	1.1%

Notes to Schedule:

Valuation Date 6/30/2022

Methods and Assumptions Used to Determine

Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	(1)
Asset Valuation Method	Fair Value
Long-Term Rate of Return	5.5%
Inflation	2.5%
Medical Trend	(2)
Mortality, Retirement, Disability, Termination	(3)

(1) Level percentage of payroll, closed.

(2) Non-Medicare 8.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076; Medicare (Non-Kaiser) 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076; Medicare (Kaiser) 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076.

(3) Mortality projected fully generational with Scale MP-2021.

*Fiscal year 2023-2024 is the first year an actuarially determined contribution was calculated.