



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
BOARD OF DIRECTORS REGULAR MEETING MINUTES**

*September 19, 2024*

**1. 4:00 PM OPEN SESSION / CALL TO ORDER / FLAG SALUTE**

President Burgess called the meeting to order at 4:00 pm and led the flag salute.

**2. ROLL CALL**

Secretary Gelos called the roll.

Directors present: Bill Barker, Dan Burgess, and Mason Yaffee.

Directors absent: Michael Camou and Tom Swanson.

Staff present: General Manager, Scott Duffield, District Engineer, Doug Groshart, Operations Manager, Brian Vogel and District Counsel Jeff Minnery.

**3. PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA**

There were no public comments.

**4. PUBLIC HEARINGS**

**a. Hearing to consider approval of an Ordinance to provide informal bidding procedures.**

Manager Duffield provided a brief summary of the item and answered any questions the board had.

Director Barker made a motion to adopt Ordinance 24-01. Director Yaffee seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Yaffee

Absent: Camou, Swanson

**5. CONSENT ITEMS**

**a. Meeting Minutes:** Receive/approve minutes of special meeting of August 15, 2024.

**b. Warrant Register:** Receive/approve August 2024 warrants.

**c. Treasurer's Report:** Receive/file August 2024 report.

**d. Fiscal Report:** Receive/file August 2024 status report.

**e. Office Report:** Receive/file August 2024 report.

- f. **District Engineer Report:** Receive/file September 2024 report.
- g. **Operations Manager Report:** Receive/fil September 2024 report.
- h. **Updates regarding disinfections byproducts.**
- i. **Amendment to General Manager Employment Agreement.**

Public Comment: Sam Poppen spoke.

Director Yaffee pulled items E-I. Director Barker made a motion to approve items A-D as presented. Director Yaffee seconded the motion. The motion passed unanimously.

Director Barker made a motion to approve items E-I as presented. Director Yaffee seconded the motion. The motion passed unanimously.

## 6. BUSINESS ITEMS

- a. **Receive the 50%-design submittal for the Water Resource Recovery Facility upgrade project, and direct staff to use the engineer's opinion of probable costs to inform the sewer of \$30,000.**

Public Comment: Sam Poppen spoke.

Curtis Lam of HydroScience presented to the board and answered any questions they had.

Director Yaffee made a motion directing staff to use the engineer's opinion of probable costs to inform the sewer rate study. Director Burgess seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Yaffee

Absent: Camou, Swanson

- b. **Request to approve the purchase of a trailer mounted air compressor for a not to exceed amount of \$30,000.**

There were no public comments.

Operations Manager Vogel provided a brief summary of the item and answered any questions the board had.

Director Barker made a motion to approve the purchase of a trailer mounted air compressor. Director Yaffee seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Yaffee

Absent: Camou, Swanson

- c. **Request to approve draft contract documents for the Raw Water Vertical Intake No. 2 – Phase 1, and direct staff to finalize the documents and advertise for proposals.**

There were no public comments.

Manager Duffield provided a brief summary of the item and answered any questions the board had.

Director Yaffee made a motion to approve draft contract documents for the Raw Water Vertical Intake No. 2 and direct staff to finalize the documents to advertise for proposals. Director Burgess seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Yaffee

Absent: Camou, Swanson

**d. Request to recommend a candidate to the County Board of Supervisors for appointment to the Board of Directors.**

There were no public comments.

Manager Duffield provided a brief summary of the item and answered any questions the board had.

Director Barker made a motion to recommend Tom Swanson to the County Board of Supervisors for appointment to the Board of Directors. Director Yaffee seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Yaffee

Absent: Camou, Swanson

**7. GENERAL MANAGER REPORT**

Public Comment: CJ Rudolph spoke.

Report was received and filed.

**8. COMMITTEE REPORTS**

There were no public comments.

There were no committee reports.

**9. FUTURE AGENDA ITEMS**

There were no public comments.

The Board determined to add the following to a future agenda: None

**10. ADJOURN TO CLOSED SESSION**

**a. Public employee performance evaluation (Government Code §54957)  
Title: District Counsel**

On a motion by Director Barker and seconded by Director Yaffee, the board adjourned to closed session at 5:08 pm.

**11. RECONVENE TO OPEN SESSION**

The board reconvened to open session at 5:16 pm. District Counsel reported that there were no reportable actions from closed session.

**12. ADJOURNMENT**

On a motion by Director Barker and seconded by Director Yaffee the meeting adjourned at 5:17 pm to the next scheduled meeting on Thursday, October 17, 2024.

**APPROVED:**

**ATTEST:**

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**Dan Burgess, President  
Board of Directors**

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**Kristen Gelos, Secretary  
Board of Directors**

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
WARRANT REGISTER  
SEPTEMBER 2024**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
9/3/2024	CALPERS HEALTH BENEFITS EMPLOYEE PAID HEALTH BENEFIT EMPLOYEE PAID HEALTH BENEFIT	790.07 790.07	\$ 1,580.14
9/3/2024	CALPERS HEALTH BENEFITS CALPERS HEALTH BENEFITS	16,839.10	\$ 16,839.10
9/6/2024	R. ARNOLD NET PAYROLL	3,236.65	\$ 3,236.65
9/6/2024	T. SHOGREN NET PAYROLL	3,152.24	\$ 3,152.24
9/6/2024	J. MARTY NET PAYROLL	2,069.30	\$ 2,069.30
9/6/2024	K. GELOS NET PAYROLL	3,080.98	\$ 3,080.98
9/6/2024	D. BURGESS NET PAYROLL	92.35	\$ 92.35
9/6/2024	B. BARKER NET PAYROLL	184.70	\$ 184.70
9/6/2024	S. DUFFIELD NET PAYROLL	4,861.35	\$ 4,861.35
9/6/2024	B. VOGEL NET PAYROLL	3,015.08	\$ 3,015.08
9/6/2024	D. GROSHART NET PAYROLL	4,495.66	\$ 4,495.66
9/6/2024	M. CAMOU NET PAYROLL	92.35	\$ 92.35
9/6/2024	M. YAFFEE NET PAYROLL	92.35	\$ 92.35
9/6/2024	CALPERS RETIREMENT SYSTEM PROFESSIONAL SERVICES-GASB 68	1,050.00	\$ 1,050.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
WARRANT REGISTER  
SEPTEMBER 2024**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
9/6/2024	PG&E ELECTRICITY	12,284.96	\$ 12,284.96
9/6/2024	INTERNAL REVENUE SERVICE FEDERAL WITHHOLDING TAXES FICA WITHIHOLDING MEDICARE	2,885.66 62.00 984.22	\$ 3,931.88
9/6/2024	EMPLOYMENT DEVELOPMENT DEPARTM SDI STATE WITHHOLDING	367.81 1,188.66	\$ 1,556.47
9/6/2024	CALPERS RETIREMENT SYSTEM CALPERS UNIFORM ALLOWANCE PERS-IRC 457 CONTRIBUTIONS PERS RETIREMENT PERS RETIREMENT TIER 2 PERS RETIREMENT PEPRA SURVIVOR BENEFIT	10.51 1,443.08 1,763.13 2,056.56 1,935.64 6.51	\$ 7,215.43
9/6/2024	USA BLUEBOOK MAINTENANCE FIXED EQUIPMENT	830.20	\$ 830.20
9/6/2024	BRENNTAG PACIFIC, INC CHEMICALS CHEMICALS	6,102.33 2,658.65	\$ 8,760.98
9/6/2024	J.H. SMITH CONSULTING PROFESSIONAL SERVICES	1,640.89	\$ 1,640.89
9/6/2024	ROY ARNOLD MEDICAL REIMBURSEMENT UNIFORM ALLOWANCE	350.00 189.48	\$ 539.48
9/6/2024	ABALONE COAST ANALYTICAL, INC. LAB TESTING	3,779.00	\$ 3,779.00
9/6/2024	KRISTEN GELOS MEDICAL REIMBURSEMENT	745.20	\$ 745.20

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
WARRANT REGISTER  
SEPTEMBER 2024**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
9/6/2024	CORE & MAIN LP MAINTENANCE FIXED EQUIPMENT MAINTENANCE FIXED EQUIPMENT	354.43 418.02	\$ 772.45
9/6/2024	DATA PROSE LLC AUGUST / SEPTEMBER BILLING	3,006.68	\$ 3,006.68
9/6/2024	SCOTT DUFFIELD MEDICAL REIMBURSEMENT	842.50	\$ 842.50
9/6/2024	RIVAL TECHNOLOGY INC. PROFESSIONAL SERVICES COMPUTER / SOFTWARE	1,201.44 3,074.40	\$ 4,275.84
9/6/2024	SPEEDY COASTAL MESSENGER, INC. LAB TESTING	445.00	\$ 445.00
9/6/2024	SPICE INTEGRATION MAINTENANCE FIXED EQUIPMENT WATER SCADA PROJECT WASTEWATER SCADA	1,350.00 926.64 21,562.50	\$ 23,839.14
9/6/2024	AMAZON SUPPLIES	120.88	\$ 120.88
9/6/2024	HYDROPRO SOLUTIONS METERS & EQUIPMENT	1,617.53	\$ 1,617.53
9/6/2024	EVOQUA WATER TECHNOLOGIES LLC GAC PROJECT	1,501.50	\$ 1,501.50
9/6/2024	THE JAM LAW GROUP LEGAL & ATTORNEY LEGAL & ATTORNEY	1,853.30 1,242.70	\$ 3,096.00
9/20/2024	R. ARNOLD NET PAYROLL	3,549.30	\$ 3,549.30
9/20/2024	T. SHOGREN NET PAYROLL	2,540.70	\$ 2,540.70

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
WARRANT REGISTER  
SEPTEMBER 2024**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
9/20/2024	J. MARTY NET PAYROLL	1,820.51	\$ 1,820.51
9/20/2024	K. GELOS NET PAYROLL	3,080.98	\$ 3,080.98
9/20/2024	S. DUFFIELD NET PAYROLL	4,698.30	\$ 4,698.30
9/20/2024	B. VOGEL NET PAYROLL	3,015.08	\$ 3,015.08
9/20/2024	D. GROSHART NET PAYROLL	4,495.66	\$ 4,495.66
9/20/2024	INTERNAL REVENUE SERVICE FEDERAL WITHHOLDING TAXES MEDICARE	2,772.09 944.24	\$ 3,716.33
9/20/2024	EMPLOYMENT DEVELOPMENT DEPARTM SDI STATE WITHHOLDING	358.16 1,157.65	\$ 1,515.81
9/20/2024	CALPERS RETIREMENT SYSTEM PERS-IRC 457 CONTRIBUTIONS PERS RETIREMENT PERS RETIREMENT TIER 2 PERS RETIREMENT PEPPRA SURVIVOR BENEFIT	1,443.08 1,763.14 2,056.56 1,935.64 6.51	\$ 7,204.93
9/20/2024	PG&E ELECTRICITY	6,236.16	\$ 6,236.16
9/21/2024	J.B. DEWAR. INC. FUEL & OIL	779.51	\$ 779.51
9/23/2024	CALPERS RETIREMENT SYSTEM CALPERS UNFUNDED LIABILITY	10,325.42	\$ 10,325.42
9/25/2024	SPECIAL DISTRICT RISK MANAGEME W/C INSURANCE FY 2023-24	2,003.40	\$ 2,003.40



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
WARRANT REGISTER  
SEPTEMBER 2024**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
9/25/2024	AT&T TELEPHONE	86.89	\$ 86.89
9/25/2024	BLAKES INC SUPPLIES	70.67	\$ 70.67
9/25/2024	MOSS, LEVY & HARTZHEIM LLP AUDIT FY 2023/24	5,000.00	\$ 5,000.00
9/25/2024	HOME DEPOT CREDIT SERVICES SUPPLIES/FIXED EQUIPMENT	102.65	\$ 102.65
9/25/2024	USA BLUEBOOK CHEMICALS CHEMICALS	274.51 282.41	\$ 556.92
9/25/2024	UNDERGROUND SERVICE ALERT DUES & SUBSCRIPTIONS	300.00	\$ 300.00
9/25/2024	BRENNTAG PACIFIC, INC CHEMICALS	1,204.75	\$ 1,204.75
9/25/2024	SWRCB LICENSES & PERMITS	486.00	\$ 486.00
9/25/2024	CAL COAST IRRIGATION, INC. SUPPLIES	79.82	\$ 79.82
9/25/2024	C&N TRACTORS SMALL TOOLS & EQUIPMENT	57.57	\$ 57.57
9/25/2024	ROY ARNOLD CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
9/25/2024	NAPA AUTO PARTS SUPPLIES MAINTENANCE FIXED EQUIPMENT	3.41 38.57	\$ 41.98
9/25/2024	KRISTEN GELOS CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
WARRANT REGISTER  
SEPTEMBER 2024**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
9/25/2024	CORE & MAIN LP MAINTENANCE FIXED EQUIPMENT	298.58	\$ 298.58
9/25/2024	TRACTOR SUPPLY CO. FUEL & OIL	109.76	\$ 109.76
9/25/2024	NORTH COUNTY PLUMBING & DRAIN PROFESSIONAL SERVICES	240.66	\$ 240.66
9/25/2024	SCOTT DUFFIELD CELL PHONE/INTERNET ALLOWANCE TRAINING & TRAVEL	80.00 895.00	\$ 975.00
9/25/2024	WESTERN EXTERMINATOR STRUCTURES & GROUNDS	125.00	\$ 125.00
9/25/2024	BRIAN VOGEL CELL PHONE/INTERNET ALLOWANCE MEDICAL REIMBURSEMENT UNIFORM ALLOWANCE	80.00 209.00 95.47	\$ 384.47
9/25/2024	TROY SHOGREN CELL PHONE/INTERNET ALLOWANCE UNIFORM ALLOWANCE	80.00 160.00	\$ 240.00
9/25/2024	DOUGLAS GROSHART CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
9/25/2024	JORANDA MARKETING, INC. / JAN- STRUCTURES & GROUNDS	304.60	\$ 304.60
9/25/2024	AMAZON OFFICE SUPPLIES	157.18	\$ 157.18
9/25/2024	HYDROPRO SOLUTIONS METERS & EQUIPMENT	2,343.55	\$ 2,343.55
9/25/2024	JERED MARTY CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
WARRANT REGISTER  
SEPTEMBER 2024**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
9/25/2024	CARBON HEALTH MEDICAL GROUP OF PROFESSIONAL SERVICES	481.00	\$ 481.00
9/25/2024	HYDROSCIENCE ENGINEERS INC WRRF PROJECT	75,714.00	\$ 75,714.00
9/25/2024	AUSTIN GRAY UNIFORM ALLOWANCE	357.32	\$ 357.32
9/25/2024	CHARTER COMMUNICATIONS INTERNET	101.24	\$ 101.24
9/25/2024	HOME DEPOT CREDIT SERVICES SUPPLIES	73.65	\$ 73.65
9/25/2024	MEGADEPOT MAINT. FIXED EQUIP.	448.31	\$ 448.31
9/25/2024	RENAISSANCE HOTEL TRAIN/TRAVL	247.54	\$ 247.54
9/25/2024	CSDA TRAINING & TRAVEL	375.00	\$ 375.00
9/25/2024	OCCUPATIONAL APPAREL UNIFORMS FY 24/25	335.51	\$ 335.51
9/25/2024	RING CENTRAL TELEPHONE	297.07	\$ 297.07
9/25/2024	PARK WHOLESale UNIFORMS FY 24/25	178.67	\$ 178.67
9/25/2024	STARLINK INTERNET	250.00	\$ 250.00
<b>TOTAL ALL WARRANTS</b>			<b>\$ 271,971.71</b>

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
TREASURER'S REPORT  
SEPTEMBER 2024**

**SUMMARY REPORT OF ALL ACCOUNTS**

Beginning Balance:	\$ 4,639,166
Ending Balance:	\$ 4,528,644
Variance:	\$ (110,522)
Interest Earnings for the Month Reported:	\$ 1,397
Interest Earnings Fiscal Year-to-Date:	\$ 164,148

**ANALYSIS OF REVENUES**

Total operating income for water and sewer was:	\$ 235,386
Non-operating income was:	\$ 7,083
Franchise fees paid to the District by San Miguel Garbage was:	\$ 9,193
Interest earnings for the LAIF account was:	\$ -
Interest earnings for the California CLASS account was:	\$ 16,201
Interest earnings for the Five Star Bank checking account was:	\$ 22
Interest earnings for the Five Star Bank DWR Loan Services account was:	\$ 19
Interest earnings for the Five Star Bank DWR Reserve account was:	\$ 456
Interest earnings for the Mechanics Bank money market account was:	\$ 0

**ANALYSIS OF EXPENSES**

Five Star Bank checking account total warrants, fees, and Electronic Fund Transfers was:	\$ 251,257
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**STATEMENT OF COMPLIANCE**

This report was prepared in accordance with the Heritage Ranch Community Services District Statement of Investment Policy. All investment activity was within policy limits. There are sufficient funds to meet the next 30 days obligations. Attached is a status report of all accounts and related bank statements.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
STATUS REPORT FOR ALL ACCOUNTS  
SEPTEMBER 2024**

**BEGINNING BALANCE ALL ACCOUNTS** **\$4,639,165.66**

**OPERATING CASH IN DRAWER** **\$ 300.00**

**FIVE STAR BANK DWR LOAN REPAYMENT (1994-2029):**

<b>BEGINNING BALANCE 7/31/2024</b>	27,660.57	
QUARTERLY DEPOSIT	25,907.00	
INTEREST EARNED	19.46	
SEMI-ANNUAL PAYMENT	(51,814.22)	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$ 1,772.81</b>

**FIVE STAR BANK DWR RESERVE ACCOUNT**

<b>BEGINNING BALANCE 7/31/2024</b>	121,320.96	
INTEREST EARNED	456.38	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$ 121,777.34</b>

**FIVE STAR BANK SDWSRF LOAN SERVICES ACCOUNT**

<b>BEGINNING BALANCE 7/31/2024</b>	1,202.24	
QUARTERLY DEPOSIT	14,685.00	
INTEREST EARNED	52.48	
SEMI-ANNUAL PAYMENT	-	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$ 15,939.72</b>

**FIVE STAR BANK SDWSRF RESERVE ACCOUNT**

<b>BEGINNING BALANCE 7/31/2024</b>	62,782.23	
INTEREST EARNED	236.17	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$ 63,018.40</b>

**MECHANICS BANK MONEY MARKET ACCOUNT**

<b>BEGINNING BALANCE 7/31/2024</b>	6,994.67	
DEPOSIT REVENUE - CASH	2,460.20	
INTEREST EARNED	0.13	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$ 9,455.00</b>

**FIVE STAR BANK - MONEY MARKET**

<b>BEGINNING BALANCE 7/31/2024</b>	163,824.88	
INTEREST EARNED	483.73	
REVENUE TRANSFER <i>To SRF Loan Account</i>	(14,685.00)	
REVENUE TRANSFER <i>To DWR Loan Account</i>	(25,907.00)	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$ 123,716.61</b>

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
STATUS REPORT FOR ALL ACCOUNTS  
SEPTEMBER 2024**

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**FIVE STAR BANK - CHECKING**

<b>BEGINNING BALANCE 7/31/2024</b>	251,256.66	
DEPOSIT REVENUE & MISCELLANEOUS INCOME	273,887.14	
INTEREST EARNED	21.78	
TOTAL CHECKS, FEES AND EFT'S	(352,526.25)	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$ 172,639.33</b>

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**LOCAL AGENCY INVESTMENT FUND (LAIF)**

<b>BEGINNING BALANCE 7/31/2024</b>	244,615.45	
INTEREST EARNED	-	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$ 244,615.45</b>

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**CALIFORNIA CLASS**

<b>BEGINNING BALANCE 7/31/2024</b>	3,759,208.00	
INTEREST EARNED	16,200.98	
<b>ENDING BALANCE 8/31/2024</b>		<b>\$3,775,408.98</b>

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<b>ENDING BALANCE ALL ACCOUNTS</b>		<b>\$4,528,643.64</b>
<b>DIFFERENCE FROM LAST MONTH</b>	<b>Decrease</b>	<b>\$ (110,522.02)</b>

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
QUARTERLY TREASURER'S  
REPORT FOR THE PERIOD OF  
JULY 1, 2024 – SEPTEMBER 30, 2024**

**SUMMARY REPORT OF ALL ACCOUNTS**

Beginning Balance	\$	4,475,873.41
Ending Balance	\$	4,528,962.11
Variance	\$	53,088.70
Interest Earnings	\$	92,934.27

**STATEMENT OF COMPLIANCE**

This report was prepared in accordance with the HRCSD Statement of Investment Policy. All investment activity was within policy limits. There are sufficient funds to meet the next 180 days' obligations. Attached is a status report of all accounts and related bank statements. For more information contact the District Office.

**ACCOUNT PROFILE INFORMATION**

1. Operating cash in cash drawer: Maintained to make change for cash transactions.
2. Five Star Bank DWR Loan Repayments: Quarterly deposits are made into the account. Semi-annual payments are made from the account by the bank, which functions as our fiscal agent, to DWR for repayment of a \$2 million loan to partially finance our water treatment plant and water pumping facilities. The interest earnings rate at the end of the quarter was 4.66%. Statements are received on a monthly basis.
3. Five Star Bank DWR Reserve: The purpose of the Reserve Account was to build up over ten years an amount equal to debt service for one year, a DWR requirement. The interest earnings rate at the end of the quarter was 4.68%. Statements are received on a monthly basis.
4. Five Star Bank SDWSRF (Safe Drinking Water State Revolving Fund) Loan Repayments: Quarterly deposits are made into the account. Semi-annual payments are made from the account by the bank, which functions as our fiscal agent, to SDWSRF for repayment of a \$714,000 loan to finance upgrades at the water treatment plant. The fund will provide for a twenty (20) year repayment period at a 1.7875 percent interest rate. The interest earnings rate at the end of the quarter was 4.68%. Statements are received on a monthly basis.
5. Five Star Bank SDWSRF Reserve: The purpose of the Reserve Account was to build up over ten years an amount equal to debt service for one year, a SDWSRF requirement. The interest earnings rate at the end of the quarter was 4.68%. Statements are received on a monthly basis.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
QUARTERLY TREASURER'S  
REPORT FOR THE PERIOD OF  
JULY 1, 2024 – SEPTEMBER 30, 2024**

6. Mechanics Bank Money Market: This account handles all cash transactions as Five Star Bank does not have a local branch. Any amount above the minimum required by the bank will be transferred to Five Star bank checking account. The interest earnings rate at the end of the quarter was 0.02%. Statements are received on a monthly basis.
  
7. Five Star Bank Money Market: The interest earnings rate at the end of the quarter was 4.68%. Statements are received on a monthly basis. The purpose of this account is to facilitate cashflows and maximize interest within our Five Star Bank accounts.
  
8. Five Star Bank Checking: Variable interest-bearing checking account currently at 0.10%, at Five Star branch in Roseville used for most of our transactions such as payroll, accounts receivable and accounts payable. Statements are received on a monthly basis.
  
9. LAIF: Local Agency Investment Fund, a variable interest-bearing investment fund administered by the California State Treasurer. LAIF Account interest earnings rate at the end of the quarter was 4.66%. Statements are received on a monthly basis.
  
10. California Class: Joint Powers Authority Investment pool, a variable interest-bearing investment fund. The majority of our funds are retained in this account. CA Class Account interest earnings rate at the end of the quarter was 5.41%. Statements are received on a monthly basis.

**INTEREST EARNINGS: TRENDS & PROJECTIONS**

The number of accounts in this report totals TEN. The interest earnings for those accounts are summarized on the next page. The accounts are referenced by number which corresponds with the Account Profile Information.



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
 QUARTERLY TREASURER'S  
 REPORT FOR THE PERIOD OF  
 JULY 1, 2024 – SEPTEMBER 30, 2024**

**SUMMARY OF INTEREST EARNINGS**

Account Profile by Reference Number

	<b>Beginning Balance</b>	<b>Total Credits</b>	<b>Total Debits</b>	<b>Interest Earnings</b>	<b>Ending Balance</b>
<b>1</b>	<b>300.00</b>	-	-	-	<b>300.00</b>
<b>2</b>	<b>27,450.99</b>	25,907.00	(51,814.22)	229.04	<b>1,772.81</b>
<b>3</b>	<b>120,401.74</b>	-	-	1,375.60	<b>121,777.34</b>
<b>4</b>	<b>1,193.14</b>	14,685.00	-	61.58	<b>15,939.72</b>
<b>5</b>	<b>62,306.54</b>	-	-	711.86	<b>63,018.40</b>
<b>6</b>	<b>9,569.42</b>	8,549.78	(8,664.62)	0.42	<b>9,455.00</b>
<b>7</b>	<b>162,583.61</b>	-	(40,592.00)	1,725.00	<b>123,716.61</b>
<b>8</b>	<b>160,807.20</b>	838,878.17	(826,794.68)	67.11	<b>172,957.80</b>
<b>9</b>	<b>3,931,260.77</b>	-	(3,731,000.00)	44,354.68	<b>244,615.45</b>
<b>10</b>	-	3,731,000.00	-	44,408.98	<b>3,775,408.98</b>
<b>TOTALS</b>	<b>\$ 4,475,873.41</b>	<b>\$ 4,619,019.95</b>	<b>\$ (4,658,865.52)</b>	<b>\$ 92,934.27</b>	<b>\$ 4,528,962.11</b>

**MANAGEMENT BY CONTRACTED PARTIES**

For the reporting period, only the Local Agency Investment Fund (LAIF) and California Class (CA Class) are held under the Management By Contracted Parties.

LAIF is a treasury of pooled money made up of deposits from many of the over 5,000 local agencies within California. More than \$25 billion is vested in a variety of ways with a cumulative net yield of a conservative nature. State law requires, and the LAIF Pooled Money Investment Board requires that pooled money first be invested in such a manner to realize the maximum return consistent with safe and prudent management after which yield is considered. In other words, because these are public moneys invested and managed by others, the investments are low risk, low yield.

CA Class is a Joint Powers Authority investment pool that provides public agencies the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objective of offering Participants safety, daily and next-day liquidity, and optimized returns.

HRCSD typically has most of its cash (over 90%) deposited in CA Class. This is common strategy with many local agencies in the state, especially those with cash reserves of less than \$5 million. Complete reports of all investment activity, etc. are received from the CA Class Board on a monthly basis, along with an annual report, which are available for inspection at the District office. In addition, an analysis is provided in our Status Report of All Accounts for our share of CA Class deposits on a monthly basis.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET  
2024/25 Budget**

<b>OPERATING REVENUE</b>	<b>Budget FY 24/25</b>	<b>Actual September</b>	<b>Actual Year to Date</b>	<b>Percentage Year to Date</b>	<b>Variance Explanation</b>
Water Fees	1,563,732	165,318	495,184	32%	
Sewer Fees	1,240,328	92,547	277,929	22%	
Hook-Up Fees	2,400	0	0	0%	
Turn on Fees	3,500	200	475	14%	
Late Fees	18,860	3,077	8,846	47%	Fluctuates based on activity
Plan Check & Inspection	1,600	0	0	0%	
Miscellaneous Income	500	0	0	0%	
<b>TOTAL OPERATING</b>	<b>\$2,830,920</b>	<b>\$261,141</b>	<b>\$782,435</b>	<b>28%</b>	

<b>FRANCHISE REVENUE</b>					
Solid Waste Franchise Fees	91,802	7,931	25,668	28%	
<b>TOTAL FRANCHISE</b>	<b>\$91,802</b>	<b>\$7,931</b>	<b>\$25,668</b>	<b>28%</b>	

**TOTAL OPERATING** \$2,922,722    \$269,072    \$808,103    28%

<b>NON-OPERATING REVENUE</b>					
Standby Charges	242,200	0	0	0%	
Property Tax	475,629	13,593	13,593	3%	
Interest	80,000	17,471	92,934	116%	Fluctuates based on activity
Connection Fees	28,232	0	0	0%	
<b>TOTAL NON-OPERATING</b>	<b>\$826,061</b>	<b>\$31,064</b>	<b>\$106,527</b>	<b>13%</b>	

<b>RESERVE REVENUE</b>					
Capital Reserves	503,165	34,128	67,658	13%	
Operating Reserves	1,847,553	65,577	135,253	7%	
<b>TOTAL RESERVE</b>	<b>\$2,350,718</b>	<b>\$99,705</b>	<b>\$202,911</b>	<b>9%</b>	

**TOTAL NON-OPERATING** \$3,176,779    \$130,769    \$309,438    10%

<b>TOTAL ALL REVENUE</b>	<b>\$6,099,501</b>	<b>\$399,841</b>	<b>\$1,117,541</b>	<b>18%</b>	
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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET**  
**2024/25 Budget**

**OPERATING EXPENSES**

<b>SALARIES AND BENEFITS</b>	<b>Budget FY 24/25</b>	<b>Actual September</b>	<b>Actual Year to Date</b>	<b>Percentage Year to Date</b>	<b>Variance Explanation</b>
Salaries	1,045,010	63,035	189,178	18%	
Health Insurance	229,690	14,976	43,816	19%	
Health Insurance - Retirees	55,521	4,010	12,018	22%	
Pers Retirement	185,667	17,126	55,169	30%	
OPEB Funding/Transfer	35,000	0	0	0%	
Standby	34,380	1,912	5,725	17%	
Overtime	7,184	802	1,385	19%	
Workers Comp. Ins.	28,151	2,003	2,003	7%	
Directors' Fees	36,000	500	1,800	5%	
Medicare/FICA	15,675	995	3,242	21%	
Car Allowance	3,000	250	750	25%	
SUI/ETT	1,000	0	0	0%	
Uniforms	8,100	1,316	1,834	23%	
<b>TOTAL SALARIES &amp; BENEFITS</b>	<b>\$1,684,378</b>	<b>\$106,926</b>	<b>\$316,920</b>	<b>19%</b>	

**UTILITIES**

Electricity	134,433	18,521	41,698	31%	
Propane	1,586	0	0	0%	
Water Purchase	28,600	0	0	0%	Paid Semiannually
Telephone/Internet	13,313	1,295	3,886	29%	
<b>TOTAL UTILITIES</b>	<b>\$177,932</b>	<b>\$19,816</b>	<b>\$45,584</b>	<b>26%</b>	

**MAINTENANCE & SUPPLIES**

Chemicals	85,446	10,523	20,128	24%	
Computer/Software	36,666	3,074	6,192	17%	
Equip. Rental/Lease	2,704	0	541	20%	
Fixed Equip.	202,259	3,794	9,865	5%	
Fuel & Oil	16,224	889	2,905	18%	
Lab Testing	63,814	4,224	14,371	23%	
Office Supplies	1,622	157	195	12%	
Parks & Recreation	0	0	0	0%	
Struct./Grnds.	16,159	430	1,517	9%	
Small Tools/Equip.	3,245	58	58	2%	
Supplies	4,867	396	1,115	23%	
Meters/Equip.	12,979	3,961	3,961	31%	
Vehicles	6,490	0	1,048	16%	
<b>TOTAL MAINT. &amp; SUP.</b>	<b>\$452,475</b>	<b>\$27,505</b>	<b>\$61,895</b>	<b>14%</b>	

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET**  
**2024/25 Budget**

<b>GENERAL &amp; ADMINISTRATION</b>	<b>Budget FY 24/25</b>	<b>Actual September</b>	<b>Actual Year to Date</b>	<b>Percentage Year to Date</b>	<b>Variance Explanation</b>
Ads./Advertising	1,560	0	421	27%	Fluctuates based on activity
Alarm/Answering Service	4,327	0	1,013	23%	
Audit	10,400	5,000	5,000	48%	
Bank Charges/Fees	0	0	0	0%	
Consulting/Engineering	10,000	0	0	0%	
Dues/Subscription	10,816	300	300	3%	
Elections	10,000	0	0	0%	
Insurance	44,738	0	43,427	97%	Paid Annually
LAFCO	8,162	0	8,361	102%	Paid Annually
Legal/Attorney	26,000	3,096	8,682	33%	
Licenses/Permits	31,367	486	592	2%	
Plan Check & Inspection	1,600	0	0	0%	
Postage/Billing	16,224	3,007	4,582	28%	
Professional Service	96,587	4,614	14,353	15%	
Tax Collection	6,542	0	0	0%	
Staff Training & Travel	12,980	1,518	3,656	28%	
Board Training & Travel	1,040	0	0	0%	
<b>TOTAL G &amp; A</b>	<b>\$292,343</b>	<b>\$18,020</b>	<b>\$90,387</b>	<b>31%</b>	

**CAPITAL PROJECTS & EQUIPMENT**

Structures/Improvements	2,285,718	99,705	202,911	9%	
Equipment	65,000	0	0	0%	
<b>TOTAL CAPITAL EXPENSE</b>	<b>\$2,350,718</b>	<b>99,705</b>	<b>202,911</b>	<b>9%</b>	

**DEBT**

State Loan Payment	103,628	51,814	51,814	50%	paid semiannually
State Loan Payment Phase II	58,740	0	0	0%	paid semiannually
Western Alliance Lease-PVS	152,857	76,869	76,869	50%	paid semiannually
<b>TOTAL DEBT</b>	<b>\$315,225</b>	<b>\$128,683</b>	<b>\$128,683</b>		

FUNDED DEPRECIATION	\$288,000	\$24,000	\$72,000	25%	
UNFUNDED DEPRECIATION	\$0	\$0	\$0	0%	

<b>TOTAL EXPENSE</b>	<b>\$5,561,071</b>	<b>\$424,655</b>	<b>\$918,379</b>	<b>17%</b>	
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CAPACITY CHARGES TRANSFER      \$28,232                      \$0                      \$0                      0%

SOLID WASTE FEES TRANSFER      \$23,285                      \$1,382                      \$5,719                      25%

<b>FUND TOTAL</b>	<b>\$486,913</b>	<b>(\$26,196)</b>	<b>\$193,442</b>		
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# HERITAGE RANCH COMMUNITY SERVICES DISTRICT OFFICE REPORT

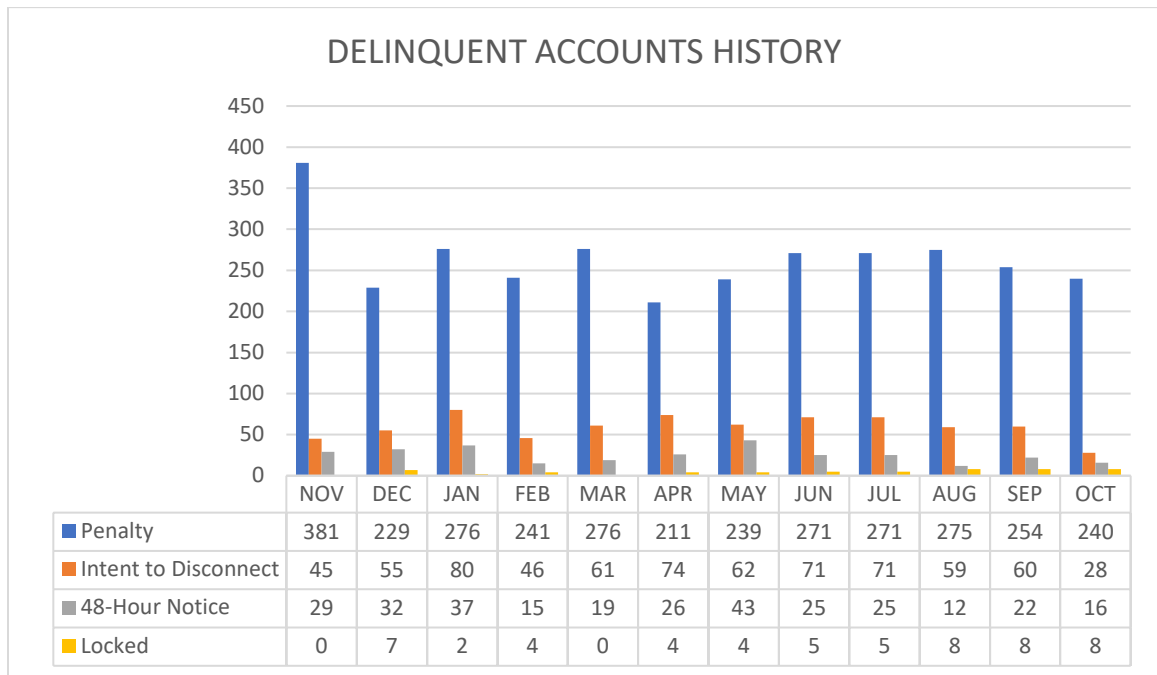
**SEPTEMBER 2024**

## Utility Billing

- On October 1<sup>st</sup>, 1,940 bills were processed for a total dollar amount of \$251,576 for water and sewer user fees for the month of September.

The table below reflects the following data over a twelve-month period:

- Number of late penalties posted for bills that were due by September 25<sup>th</sup>
- Intent To Disconnect letters mailed to customers that were more than 60 days delinquent
- 48-hour notices issued
- Number of meters locked off for non-payment



## Customer Service Orders

- Staff completed a total of 24 service orders for the month. The breakdown by job code is as follows:

OCCUPANT CHANGE	4	LEAK	1
LOCKED	8	UNLOCK	5
SWAP/PULL METER	4	DIRTY WATER	1
LEAK	1		

## Administration

- Nothing to report.



# HERITAGE RANCH COMMUNITY SERVICES DISTRICT

## District Engineer Report For the Month of October 2024

In addition to normal engineering and administrative duties, below are updates for several areas of work:

### Operations Support

- Working with Operations Staff re:
  - GAC project operation, troubleshooting for pilot study, data analysis
  - PRV project for order and scope of work
  - Investigating UV disinfection for possible DBP reduction

### Capital Improvement Projects

Projects / equipment replacement budgeted for this fiscal year and their status:  
(Note: projects are listed in the order shown on the Capital and Equipment Budget spreadsheet)

- WRF Upgrade Project: – Continuing to work with the General Manager and the design engineer.
- Lift Station 1-5 rehabilitation design phase: LS 2 and 3 are the top priority. The current project scope is to replace corroded components and coat the wetwells. Recent controls and other mechanical related issues have arisen that may be combined with this scope to limit costs associated with bypassing. Coordinating with WRRF project to determine if any pump modifications will be required as a part of the project.
- Water System SCADA Upgrade / Telemetry: Water System SCADA portion is complete. Telemetry project is designed and in the process of being installed. Installation is 70% complete with an estimated completion by the end of October.
- GAC System (Pilot Study): New GAC vessels are on order. Once the new vessels are installed, the pilot study will be complete. We will have a report of findings on the pilot study at the November meeting (assuming delivery of the new GAC is per the estimated delivery date). The report will provide a cost estimate for a future, permanent GAC installation for treating 25, 50, 75 and 100% of flows, including upfront capital costs as GAC replacement cost estimates and rental fees. We will also look at costs and feasibility for permanent vessels with replacement of the GAC only. This would eliminate the monthly rental fees, but would have additional upfront costs for purchasing vessels as well as additional costs for GAC removal and replacement.

- Pressure Reducing Valves (Waterview/Equestrian): PRVs have been received. Raminha has been authorized to begin work. Schedule update to be provided at the meeting.
- Raw Water Vertical Intake No. 2: Advertised the project for informal bid on 9/27. Held a non-mandatory pre-bid conference on 10/10. District engineer, Operations manager, project geologist (Cleath-Harris) and three contractors attended the meeting. In total, seven contractors requested the bid documents and three additional contractors were contacted but did not respond. There could be additional contractors who received the bid documents via the various trade journals we advertised with, per CUPCCA requirements, but none have contacted staff to express interest in bidding as of 10/11. The bid opening will be on Tuesday, 10/22 at 3pm. The estimated contract award will be on 10/31 with the intent to complete the installation by the end of January, 2025.

Staff has begun the preliminary design for Phase 2 as well, with the intent of having the design nearly complete when Phase 1's results are known. We will take the information from the well test and use it to finalize the design. This approach will allow for progression from Phase 1 to Phase 2 to take place quickly.

- DBP Project: See separate agenda item and report regarding DBPs.
- Wastewater Collection System SCADA Upgrade: SPICE has begun work on the wastewater collection system (Lift Station) SCADA upgrade. Installation will take place in conjunction with the Telemetry installation. Installation is 50% complete with an estimated completion by the end of October.
- Wastewater collection system model & I/I: Staff is reviewing the findings of the sewer system inspections by Video Inspection Specialists to determine what, if any, system repairs can be made to decrease I/I.
- Pump Station Covers (design): Work has not begun on this project.
- Electric Gate at Corp Yard: Work has not begun on this project.

#### Additional Tasks

- Development: Responding to requests for existing water and sewer system documents as they come up. Discussing existing system and future developments with potential developers as they make contact.



Project Name	Original CIP Budget	FY 24/25 Budget	Design Status	Estimated Design Completion	Construction Status	Estimated Construction Completion
WRF Upgrade Project		\$755,035	Ongoing	1/31/2025	Not Started	Before 9/2027
Lift Station 1-5 Rehab		\$200,000	Ongoing	10/31/2024	Not Started	TBD
Water System SCADA Upgrade (Telemetry)	\$300,000	\$168,415	Complete	Complete	Ongoing	10/31/2024
GAC System (Pilot Study)		\$39,480	Complete	Complete	N/A	N/A
Pressure Reducing Valves (Waterview, Equestrian)	\$175,000	\$163,070	Complete	Complete	Authorized to begin 8/24	Update at meeting
Raw Water Vertical Intake No. 2	\$225,000	\$219,718	Ongoing	Complete (Well casing) 1/31/25 (Wellhead)	Out to Bid	1/31/2025 (Well casing) TBD (Wellhead)
DBP Project		\$400,000	Not Started	TBD	Not Started	TBD
Wastewater Collection System SCADA Upgrade	\$200,000	\$200,000	Complete	Complete	Ongoing	10/31/2024
Wastewater Collection System Model & I/I		\$75,000	N/A	N/A	TBD	TBD
Pump Station Covers (design)		\$15,000	Not Started	TBD	Not Started	TBD
Electric Gate at Corp Yard		\$50,000	Not Started	TBD	Not Started	TBD

# HERITAGE RANCH COMMUNITY SERVICES DISTRICT

## Operations Report For the Month of October 2024

In addition to normal operations duties, below are other tasks / updates for several areas of work:

### Water treatment

- Produced 14.4 million gallons of treated water.
- Replaced Hayward air valve on filter #3 Contact Clarifier.
- The Granular Activated Carbon system is currently at a 16% reduction in organic removal. We are in the process of ordering new media for the Gac system.
- Performed weekly calibrations on Turbidimeters.
- Collected Monthly DBP sample.

### Water distribution

- Repaired 2 Service line leaks on Longview, and Pretty Doe both were located between Water main and Customers meter.
- Repaired dry barrel fire hydrant that was leaking on Lake Nacimiento rd.
- Staff started painting all the fire hydrants located in the Ranch. This will be an ongoing project.
- Backfilled soil at multiple locations where our water mains were almost exposed due to erosion.
- Flushed multiple fire hydrants throughout the ranch to improve water quality and increase the chlorine residual.
- Performed all water quality labs.
- Collected all state required Bac T samples.

### Wastewater collection

- Repaired contactor at Lift station #9 on Pump #1.
- Performed annual Lift station generator maintenance.
- Treated all generator fuel tanks biocide and fuel stabilizer.
- Repaired Chlorine injection quill and check valve at the force main leaving the Wastewater plant.

### Wastewater treatment

- Treated 3.39 million gallons of wastewater.
- Collected all state required Bac T samples along with BOD samples.
- Placed an order for Pond liner repair material to fix existing tears in the Wastewater Pond liners.

### Vehicles and equipment

- Performed general maintenance. Nothing major to report.

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager  
Doug Groshart, District Engineer

**DATE:** October 17, 2024

**SUBJECT:** Discussion and direction regarding disinfection byproducts.

#### **Background**

The District water system was exceeding the maximum contaminant level for haloacetic acids, a disinfection byproduct. Your Board has been updated regularly on this issue.

#### **Discussion**

##### **Sample data**

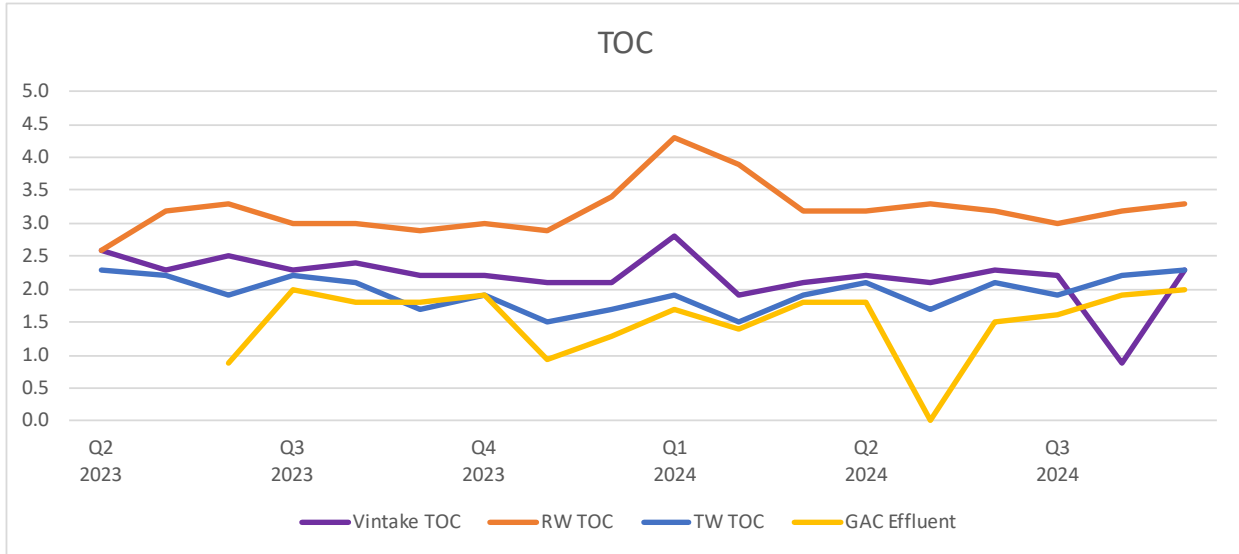
The sample data for haloacetic acids (HAA5) over the last several quarters is shown below. This data is for individual samples. The maximum contaminant level for HAA5 is 60 parts per billion (ppb). In the table below, "Vintake TOC" is the TOC level of the water from the vertical intake; "RW TOC" is the TOC reading for Raw Water; "TW TOC" is the TOC reading for Treated Water; and "GAC Effluent" shows the TOC reading after the GAC vessels and before chlorination.

The reportable data required by the Division of Drinking Water (DDW) is the Locational Running Annual Average (LRAA) by calendar quarter. The maximum contaminate level (MCL) for HAA5 is 60 ppb.

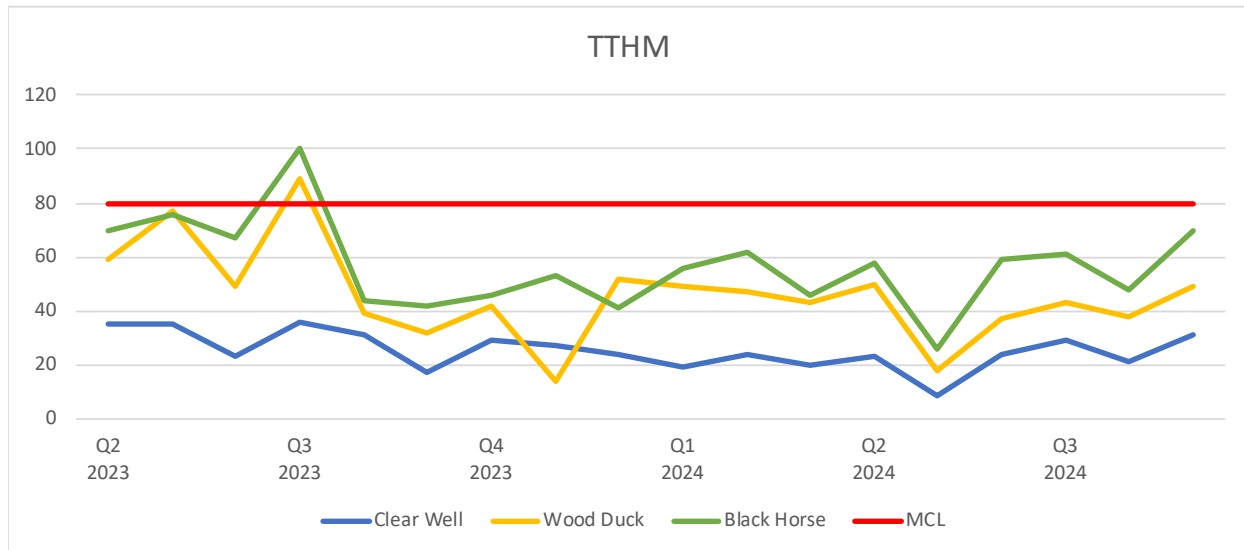
The most recent LRAA for HAA5 is 56 ppb at the Black Horse Lane location and 44 ppb at the Wood Duck Lane location; both under the MCL.

Results for individual months at both locations can be seen in the following tables and graphs. The result for Black Horse is elevated as it was in July; however, we are still below the MCL for the quarter (from an LRAA perspective.)

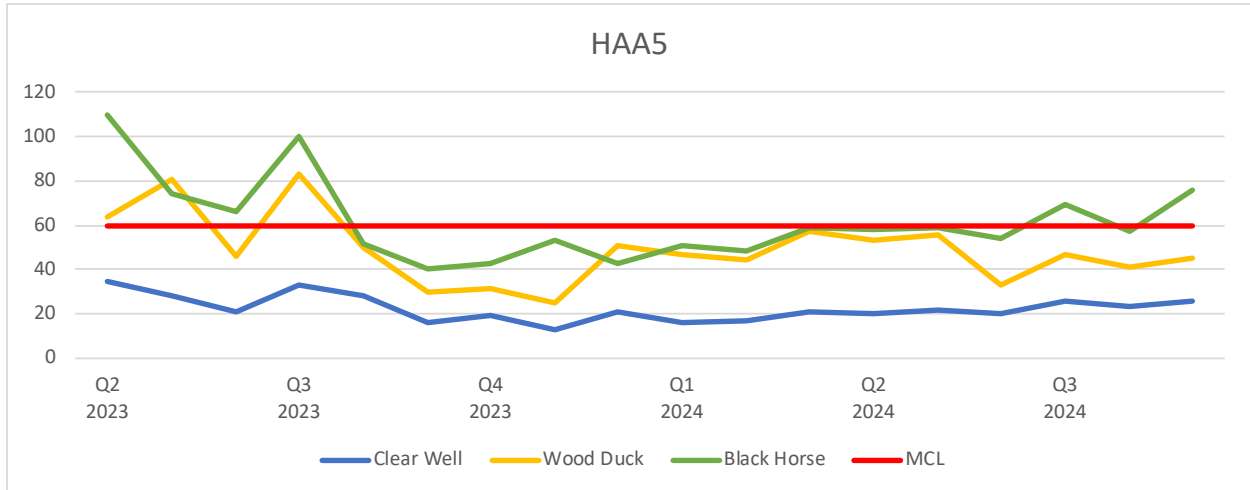
TOC	Q2 2023			Q3 2023			Q4 2023			Q1 2024			Q2 2024			Q3 2024		
Vintake TOC	2.6	2.3	2.5	2.3	2.4	2.2	2.2	2.1	2.1	2.8	1.9	2.1	2.2	2.1	2.3	2.2	0.9	2.3
RW TOC	2.6	3.2	3.3	3.0	3.0	2.9	3.0	2.9	3.4	4.3	3.9	3.2	3.2	3.3	3.2	3.0	3.2	3.3
TW TOC	2.3	2.2	1.9	2.2	2.1	1.7	1.9	1.5	1.7	1.9	1.5	1.9	2.1	1.7	2.1	1.9	2.2	2.3
GAC Effluent			0.9	2.0	1.8	1.8	1.9	0.9	1.3	1.7	1.4	1.8	1.8	ND	1.5	1.6	1.9	2.0



TTHM	Q2 2023			Q3 2023			Q4 2023			Q1 2024			Q2 2024			Q3 2024		
Clear Well	35	35	23	36	31	17	29	27	24	19	24	20	23	9	24	29	21	31
Wood Duck	59	77	49	89	39	32	42	14	52	49	47	43	50	18	37	43	38	49
Black Horse	70	76	67	100	44	42	46	53	41	56	62	46	58	26	59	61	48	70
MCL	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80



HAA5	Q2 2023			Q3 2023			Q4 2023			Q1 2024			Q2 2024			Q3 2024		
Clear Well	35	28	21	33	28	16	19	13	21	16	17	21	20	22	20	26	23	26
Wood Duck	64	81	46	83	50	30	31	25	51	47	44	57	53	56	33	47	41	45
Black Horse	110	74	66	100	52	40	43	53	43	51	48	59	58	59	54	69	57	76
MCL	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60



**Operations and project updates**

The Operations staff has made no major operational changes to the water treatment process since last month’s report. The new TOC analyzer continues to monitor TOC at the outlet of filters 3 and 4 as well as the outlet of the GAC adsorbers.

The GAC adsorbers have been online on April 26, 2024. The previous GAC was coconut-based and was in service for 165 days in total. As of October 11, 2024, the new GAC is still showing 22% removal after 168 days in service. The previous GAC had dropped to 9% removal after 162 days. We will provide an additional update at the meeting.

Per the District Engineer report for October, the Vertical Intake No. 2 – Phase 1 project is out for bid. The current schedule is to have the installation of the new vertical intake completed by the end of January, 2025. Once Phase 1 is completed, CHG will provide Staff with design criteria for the new pump and associated piping, valving, etc. (based on flow testing done after installation of the casing). Staff will use this information to design the new pump, wellhead, piping and valving for connecting the new intake to the existing Pump Station 1. Staff has already begun the preliminary design for Phase 2, with the intent to have the design nearly complete by the time Phase 1 is complete. We will then take the information found in Phase 1 and finalize the Phase 2 design. A second vertical intake will increase our capacity for drawing water from the vertical intakes that is typically considerably lower in TOC than the water from the gallery wells. This allows us to lessen the organics in our raw water, leading to lower DBPs.

**Fiscal Implications**

The 5-year Capital Improvement Plan approved by your Board includes spending a total of \$1,000,000 for a DBP project(s) through Fiscal Year End 2027. The current year

budget includes \$400,000 for a DBP project(s), as well as \$219,718 for the design and construction of Vertical Intake No. 2.

File: OPERATIONS\_DBP

# HERITAGE RANCH COMMUNITY SERVICES DISTRICT

## MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager

**DATE:** October 17, 2024

**SUBJECT:** Accept the Independent Auditor's Report and Financial Statements for the Year Ended June 30, 2024, prepared and to be presented by Moss, Levy & Hartzheim LLP.

### **Background**

Government Code Section 61118 requires that the Board of Directors shall provide for regular audits of the district's accounts and records and shall provide the annual financial reports to the State Controller.

### **Discussion**

The annual audit was performed by Adam Guise, Certified Public Accountant, with information provided by staff. Mr. Guise will present the audit and answer any questions from your Board.

### **Fiscal Considerations**

The cost for preparation of the audit is included in the FY 2024/25 Budget.

### **Results**

By providing for the annual financial reports to be filed with the State Controller, the District continues to provide municipal services in a fiscally responsible manner and in accordance with applicable law.

Attachment: Basic Financial Statements June 30, 2024 (Audit)

File: Audit FY2023/24

**HERITAGE RANCH  
COMMUNITY SERVICES DISTRICT**

BASIC FINANCIAL STATEMENTS  
June 30, 2024

Cody



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
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June 30, 2024

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**FINANCIAL SECTION**

BODY



Moss, Levy & Hartzheim LLP

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Heritage Ranch Community Services District  
Paso Robles, California

### Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the Heritage Ranch Community Services District, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Heritage Ranch Community Services 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 respective financial position of the business-type activities and each major fund of the Heritage Ranch Community Services District, as of June 30, 2024, and the respective changes in financial position and cash flows for the fiscal 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Heritage Ranch Community Services 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 Heritage Ranch Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Heritage Ranch Community Services 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 Heritage Ranch Community Services 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, the schedule of proportionate share of net pension liability, the schedule of pension contributions, the schedule of changes in the net OPEB liability and related ratios, and the schedule of OPEB contributions 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Heritage Ranch Community Services District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 2024, on our consideration of the Heritage Ranch Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Santa Maria, California  
September XX, 2024

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2024

The Management Discussion and Analysis of the Heritage Ranch Community Services District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements as well as the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2024 are as follows:

- Total revenue increased by \$673,249 or about 24% from last year.
- Total expense increased by \$421,944 or about 17% from last year.
- Capital assets increased by \$343,372 or about 4.6% from last year.
- The District incurred a positive change in net position of \$648,826 or about 8.6%.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities. This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include the enterprise fund statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The following explains the structure and content of each of the statements.

**Government-wide and fund financial statements**

The business-type activities, which rely to a significant extent on fees and charges for support, are the only type of statement reported by the Heritage Ranch Community Services District.

The enterprise fund statement reports on the District's net position and how it has changed. Net position is the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources and are one of the ways to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2024

- To assess the overall health of the District, you need to consider additional non-financial factors, such as increases in the District's customer base, facility condition, and other factors.

The District's enterprise fund consists of the water, sewer, solid waste, and the general activities of the District.

- **Water Activity.** This activity provides for the operation, maintenance, and improvements to the District's water system. The system includes the two million gallons per day water treatment plant, plate settler, five storage tanks, a vertical intake, six pump stations, and over sixteen miles of pipeline. As of June 30, 2024, there were 1,977 paid water connections; of these 1,965 were active. The water activity receives revenue from user fees, standby charges, property taxes, and interest earnings.
- **Sewer Activity.** This activity provides for the operation, maintenance, and improvements to the District's sewer system. The system includes ten lift stations, one pump station, two initial treatment ponds, two secondary treatment areas, and many miles of pipeline. As of June 30, 2024, there were 1,789 paid sewer connections; of these 1,782 were active. The sewer activity receives revenue from user fees, standby charges, property taxes, and interest earnings.
- **Solid Waste Activity.** This activity administers and acts as the Franchiser pursuant to a Franchise Agreement. The fund supports the Franchisee, San Miguel Garbage Company, for solid waste services within the District. The solid waste activity receives 10% of the net revenue from all solid waste fees.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2024

**Financial Analysis of the District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2024 compared to 2023.

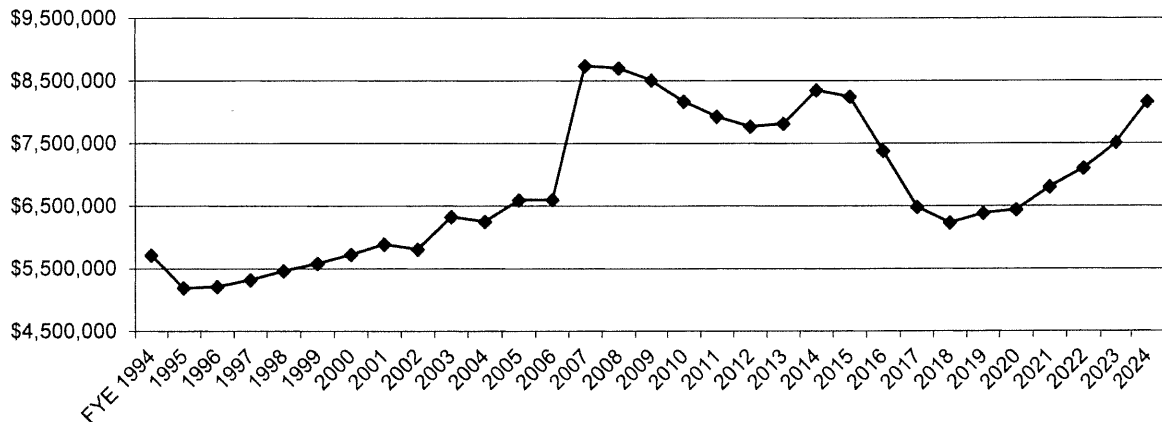
*Table 1 Net Position*

<b>Table 1 - Net Position</b>			
	FYE 2023	FYE 2024	% Change
<b>Assets</b>			
Cash and equivalents	\$4,417,601	\$4,274,918	-3.23%
Restricted cash and equivalents	175,885	182,709	3.88%
Accounts receivable (net)	209,317	308,170	47.23%
Other	80,934	103,394	27.75%
Capital assets (net of depreciation)	7,441,083	7,784,455	4.61%
Total Assets	12,324,820	12,653,646	2.67%
<hr/>			
Deferred outflows of resources	978,717	1,126,828	15.13%
<hr/>			
<b>Liabilities</b>			
Net OPEB Liabilities	607,121	826,252	36.09%
Net Pension Liabilities	1,454,925	1,543,031	6.06%
Long-term liabilities	2,577,309	2,333,173	-9.47%
Current liabilities	484,626	330,558	-31.79%
Total Liabilities	5,123,981	5,033,014	-1.78%
<hr/>			
Deferred Inflows of resources	667,307	586,385	-12.13%
<hr/>			
<b>Net Position</b>			
Net Investment in Capital Assets	4,715,675	5,297,675	12.34%
Restricted for Debt Service	175,885	170,387	-3.13%
Unrestricted	2,620,689	2,693,013	2.76%
Total Net Position	\$7,512,249	\$8,161,075	8.64%

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
 Fiscal Year Ending June 30, 2024

Total net position increased between fiscal years 2023 and 2024, by 8.6% to \$8,161,075. All the District's revenues are restricted either by the purposes they can be used for or are invested in capital assets. Figure 1 illustrates the change in net position over time.

*Figure 1 Change in Net Position*



**Enterprise Activities**

Total operating revenues increased in fiscal year 2024 by 27.9%. Total non-operating revenues increased by 13.7%. Total operating expenses increased by 17.2%.

The water fund operating revenue experienced an increase of 23.7%, the sewer fund operating revenue experienced an increase of 35.8%, and the solid waste fund revenue experienced an increase of 16.1%. The water fund operating expense had an increase of 12.5% while the sewer fund operating expense increased by 15.5%. The general fund operating expense experienced an increase of 24.8%.

Total net position increased by \$648,826.

All these activities continue to experience high operating expenses and will require capital improvements and other operational enhancements to meet new regulatory compliance. Water and sewer rate increases were implemented in fiscal year 2023; however, the Board directed staff to remove the Water Resource Recovery Facility project capital costs from that increase. Therefore, an additional rate study and increases to the sewer rates are necessary to fund that required project. Table 2 provides a summary of enterprise activities, and Figure 2 illustrates revenues and expenses as percentages.



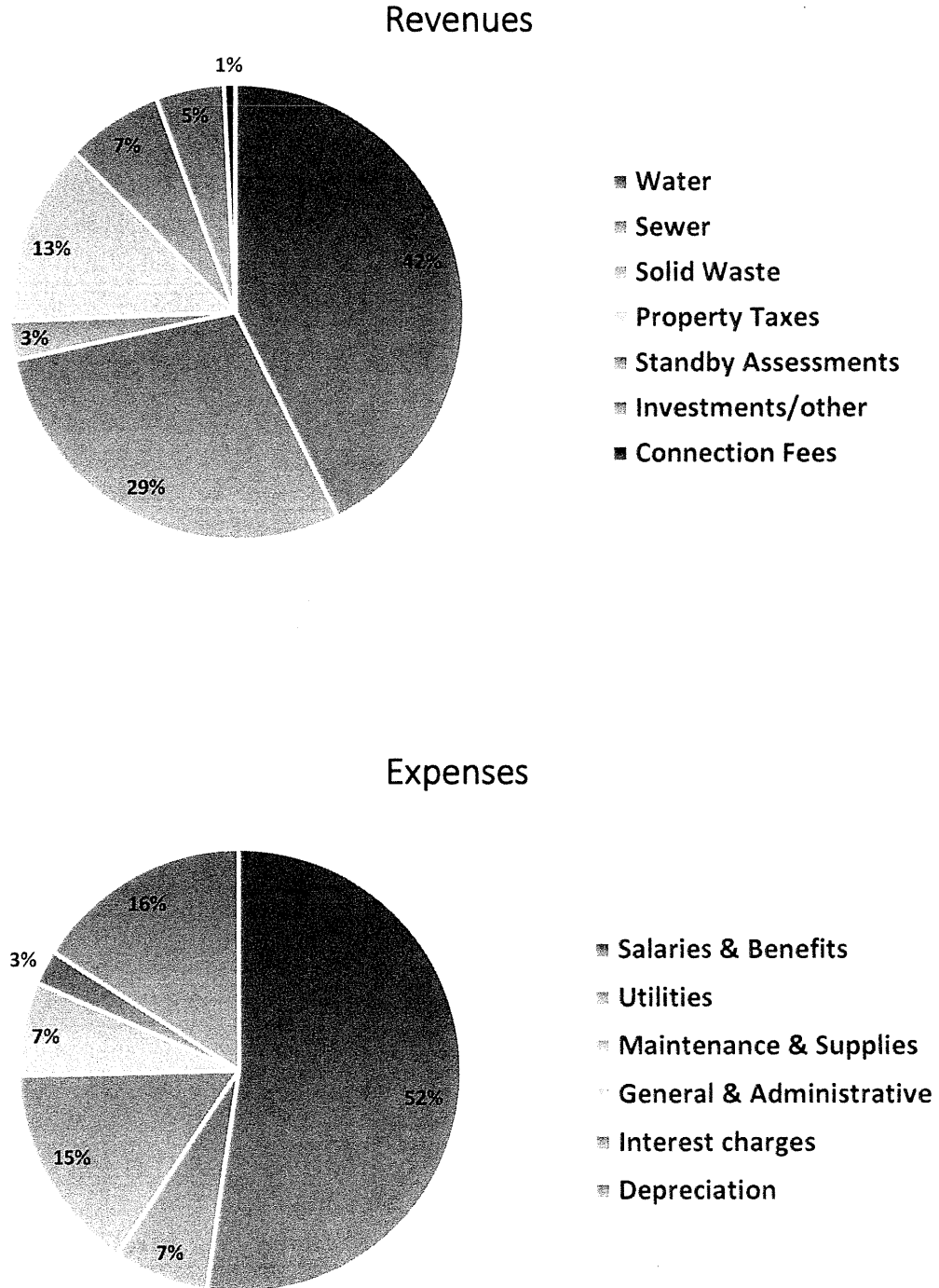
**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2024

*Table 2 Enterprise Activities - Revenues, Expenses, and Change*

<b>Table 2 Enterprise Activities</b>			
<b>Revenues, Expenses and Change in Net Position</b>			
	FYE 2023	FYE 2024	% Change
<b>Operating Revenues</b>			
Water fund	\$1,243,468	\$1,538,357	23.72%
Sewer fund	767,100	1,041,413	35.76%
General fund	8,069	1,702	-78.91%
Total operating revenues	2,018,637	2,581,472	27.88%
<b>Non-Operating Revenues</b>			
Water fund	463,852	535,165	15.37%
Sewer fund	188,738	211,233	11.92%
Franchise fees	85,138	98,829	16.08%
General fund	68,508	71,423	4.25%
Total non-operating revenues	806,236	916,650	13.69%
	2,824,873	3,498,122	
<b>Capital Contributions</b>			
Connection fees water & sewer funds	42,348	28,232	-33.33%
Total capital contributions	42,348	28,232	-33.33%
<b>Operating Expenses</b>			
Water fund	\$1,082,036	\$1,217,039	12.48%
Sewer fund	576,912	666,531	15.53%
General fund	796,636	993,958	24.77%
Total expenses	2,455,584	2,877,528	17.18%
Increase in net position	411,637	648,826	57.62%
Total net position – beginning	7,100,612	7,512,249	5.80%
Total net position – end	\$7,512,249	\$8,161,075	8.64%

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2024

Figure 2 Revenues and Expenses



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
 Fiscal Year Ending June 30, 2024

**Capital Assets and Debt Administration**

At the end of fiscal year 2024, the District had invested \$7,784,455 in a broad range of capital assets, including land, equipment, buildings, and infrastructure net of depreciation. This amount represents a net increase (including additions and deletions) of \$343,372 or 4.6% over last fiscal year.

*Table 3 Capital Assets*

<b>Table 3 Capital Assets at June 30, 2024</b>			
	FYE 2023	FYE 2024	% Change
Land	\$56,938	\$56,938	0.00%
Construction in progress	663,893	1,589,714	139.45%
Total non depreciable	720,831	1,646,652	128.44%
Buildings	2,395,164	2,395,164	0.00%
Plants and facilities	14,033,396	13,907,485	-0.90%
Vehicles and equipment	2,213,460	2,229,049	0.70%
Total depreciable	18,642,020	18,531,698	-0.59%
Less accumulated depreciation	-11,921,768	-12,393,895	3.96%
Net capital assets	\$7,441,083	\$7,784,455	4.61%

The fiscal year ending June 30, 2024 Budget included projects and equipment replacement. The following is a summary:

- \$1,056,212 – Water Resource Recovery Facility Upgrade (Design Phase)
- \$200,000 – Lift Station 1-5 Rehabilitation
- \$189,729 – Water System SCADA Upgrade
- \$1,007 – GAC System (Pilot Study)
- \$175,000 – Pressure Reducing Valves (Waterview, Equestrian)
- \$50,000 – Raw Water Vertical Intake No. 2 (Design Phase)
- \$325,000 – DBP Project
- \$200,000 – Wastewater Collection System SCADA Upgrade
- \$75,000 - Wastewater Collection System Model & I / I
- \$35,000 – Vehicle Replacement (fleet pickup truck)

The District's fiscal year ending 2025 capital budget projects spending a total of \$2,350,717 for capital projects and equipment purchases. Continued implementation of the 2023 rate study increases as well as a rate study and increases for the sewer fund are expected for FY 2025, with the most significant increase to provide for the major

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
 Fiscal Year Ending June 30, 2024

WRRF upgrade project. More detailed information about the District's capital assets is presented in Note 4 of the financial statements.

**Long-Term Debt**

In 1994 the District obtained a \$2,179,398 loan from the State of California Department of Water Resources under the Safe Drinking Water Bond Law for the construction of a water treatment plant and modifications to the well and booster pumps. The loan is payable over 35 years with a maturity date of 2029 and bears interest at 3.1775% per annum. The June 30, 2024, principal balance is \$475,638.

In 2015 the District obtained a \$984,090 loan to finance water treatment plant improvements. The debt is through a Safe Drinking Water State Revolving Fund. The loan is payable over 20 years with a maturity date of 2036 and bears interest at 1.788% per annum. The June 30, 2024, principal balance is \$608,142.

The District obtained a \$1,707,000 capital lease from the Western Alliance Business Trust on April 1, 2020, for the construction of the District's solar energy generation facilities at the Water and Wastewater Treatment Plants. The lease is payable over 15 years and bears interest at 3.26% annually. The June 30, 2024, principal balance is \$1,403,000.

A summary of debt for fiscal year end 2024 is shown below:

FYE	1994 WTP Loan	2015 WTP Loan	2020 PVS Loan	TOTAL DEBT
2024	\$475,638	\$608,142	\$1,403,000	\$2,486,780

More detailed information about the District's long-term liabilities is presented in Notes 5 and 7 of the basic financial statements.

**Current Financial Issues and Concerns**

The District is financially stable despite increasing costs, limited revenues, and new regulatory requirements. The District remains dependent on both property taxes and standby charges to fund the water and sewer operations. Cost increases are projected for labor, utilities, maintenance, and supplies in future years.

Water and sewer rate increases were implemented in fiscal year 2023; however, the Board directed staff to remove the Water Resource Recovery Facility project (Project) capital costs from that increase. Therefore, an additional rate study and increases to the sewer rates are necessary to fund the Project.

Alternatively, if the District does not ensure the funding will be available, the Project cannot be constructed. If the Project is not online, and in compliance with Regional Water Quality Control Board (RWQCB) requirements by September 30, 2027, then mandatory minimum penalties will apply. Mandatory minimum penalties are \$10,000 per day per violation. The existing treatment plant regularly violates three constituents: copper, nitrate, and un-ionized ammonia.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
Fiscal Year Ending June 30, 2024

**Contacting the District's Financial Management**

This report is designed to provide our ratepayers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Scott Duffield, General Manager, Heritage Ranch Community Services District, at 4870 Heritage Road, Paso Robles, CA 93446, the phone number is (805) 227-6230.

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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION - ENTERPRISE FUND**  
June 30, 2024

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**ASSETS**

Current assets:

Cash and investments	\$ 4,274,918
Taxes receivable	25,196
Accounts receivable	308,170
Interest receivable	44,355
Inventory	<u>33,843</u>
Total current assets	<u>4,686,482</u>

Noncurrent assets:

Restricted cash	<u>182,709</u>
Capital assets	
Land	56,938
Construction in progress	1,589,714
Property, plant, and equipment	18,531,698
Accumulated depreciation	<u>(12,393,895)</u>
Net capital assets	<u>7,784,455</u>
Total noncurrent assets	<u>7,967,164</u>
Total assets	<u>12,653,646</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred OPEB	478,057
Deferred pension	<u>648,771</u>
Total deferred outflows of resources	<u>1,126,828</u>

**LIABILITIES**

Current liabilities:

Accounts payable	45,363
Accrued payroll	14,780
Interest payable	15,213
Deposits	300
Current portion of compensated absences	33,731
Current portion of loans payable	113,171
Current portion of capital lease payable	<u>108,000</u>
Total current liabilities	<u>330,558</u>

Long-term liabilities:

Compensated absences	67,564
Loans payable	970,609
Capital lease payable	1,295,000
Net OPEB liability	826,252
Net pension liability	<u>1,543,031</u>
Total liabilities	<u>5,033,014</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred OPEB	539,063
Deferred pension	<u>47,322</u>
Total deferred inflows of resources	<u>586,385</u>

**NET POSITION**

Net investment in capital assets	5,297,675
Restricted for debt service	170,387
Unrestricted	<u>2,693,013</u>
Total net position	<u>\$ 8,161,075</u>

The notes to basic financial statements are an integral part of this statement.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**ENTERPRISE FUND**  
For the Fiscal Year Ended June 30, 2024

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<b>Operating Revenues:</b>	
Service fees	\$ 2,543,631
Turn-on fees	2,300
Hook-up fees	1,200
Late charges and miscellaneous	<u>34,341</u>
Total operating revenues	<u>2,581,472</u>
<b>Operating Expenses:</b>	
Salaries and wages	957,856
Payroll taxes and benefits	584,462
Publicity	1,884
Chemicals and gases	76,623
Engineering	23
Fuel and oil	16,864
Lab testing	53,488
Licenses and fees	32,005
Repairs and maintenance	220,809
Small tools and supplies	60,527
Uniforms and laundry	4,178
Alarm	3,971
Dues and publications	18,641
Insurance	46,459
Office expense	20,005
Professional services	79,895
Telephone and utilities	178,698
Training	12,323
Tax collections	6,542
Water purchase	30,148
Depreciation	<u>472,127</u>
Total operating expenses	<u>2,877,528</u>
Net operating income (loss)	<u>(296,056)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Taxes and assessments	468,837
Standby assessments	249,472
Franchise fees	98,829
Investment income	175,010
Interest expense	<u>(75,498)</u>
Total non-operating revenues (expenses)	<u>916,650</u>
<b>Capital Contributions:</b>	
Connection fees	<u>28,232</u>
Change in net position	648,826
<b>Net Position:</b>	
Net position, beginning of fiscal year	<u>7,512,249</u>
Net position, end of fiscal year	<u>\$ 8,161,075</u>

The notes to basic financial statements are an integral part of this statement.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS - ENTERPRISE FUND**  
For the Fiscal Year Ended June 30, 2024

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 2,482,719
Payments to vendors	(1,022,834)
Payments to employees	<u>(1,464,245)</u>
Net cash used by operating activities	<u>(4,360)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property taxes	458,999
Franchise fees	98,829
Standby fees	<u>249,472</u>
Net cash provided by noncapital financing activities	<u>807,300</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(815,499)
Principal paid on long-term debt	(238,628)
Interest paid on long-term debt	(77,052)
Connection fees	<u>28,232</u>
Net cash used by capital and related financing activities	<u>(1,102,947)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>164,148</u>
Net cash provided by investing activities	<u>164,148</u>
Net decrease in cash and cash equivalents	(135,859)
Cash and cash equivalents, July 1	<u>4,593,486</u>
Cash and cash equivalents, June 30	<u>\$ 4,457,627</u>
Reconciliation to Statement of Net Position:	
Cash and investments	\$ 4,274,918
Restricted cash	<u>182,709</u>
Total Cash and investments	<u>\$ 4,457,627</u>

(Continued)

The notes to basic financial statements are an integral part of this statement.



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS - ENTERPRISE FUND (CONTINUED)**  
For the Fiscal Year Ended June 30, 2024

<b>Reconciliation of operating income (loss) to net cash provided (used)</b>	
<b>by operating activities:</b>	
Operating income (loss)	\$ (296,056)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	472,127
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(98,853)
Inventory	(1,760)
Deferred outflows	(148,111)
Accounts payables	(157,991)
Accrued payroll	(1,250)
Compensated absences	1,119
Deposits	100
Net OPEB liability	219,131
Net pension liability	88,106
Deferred inflows	<u>(80,922)</u>
Net cash used by operating activities	<u>\$ (4,360)</u>

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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2024

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**NOTE 1 – REPORTING ENTITY**

Heritage Ranch Community Services District (the District) is a multi-purpose special district and began operations on February 26, 1990. The District is a political subdivision of the State of California and operates under the direction of a board of directors who are elected by the residents of Heritage Ranch. The District provides water, wastewater, solid waste services, and recreational services.

The District is a Community Services District as defined under California Government Code Section: 61000. A Community Services District is a public agency (State Code Section: 12463.1), which is a state instrumentality (State Code Section: 23706). State instrumentalities are exempt from federal and state income taxes.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Accounting Policies - The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).
- B. Accounting Method - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.
- C. Cash and Cash Equivalents - For purpose of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.
- D. Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid expenses.
- E. Property, Plant, and Equipment - All capital assets are valued at historical cost or fair value if actual costs are not available. Other donated capital assets are valued at their estimated fair market value on the date received. The capitalization threshold for all capital assets is \$5,000. Depreciation has been provided over the estimated useful life of the asset using the straight-line method. Estimated useful lives range from 5 to 100 years.
- F. Depreciation - Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-100 years) under the straight-line method of depreciation.
- G. Receivables - The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable is shown at full value.
- H. Inventory - The inventory maintained by the water utility consists primarily of water pipe, valves, and fittings. Inventory is valued at cost, determined on a first-in, first-out basis.
- I. Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.
- J. Compensated Absences - Accumulated unpaid employee vacation, compensatory time, and sick leave benefits are recognized as a liability of the District. The amounts are included in current liabilities under compensated absences.
- K. Customer Deposits - The District requires customers to pay an advance deposit for utility services or provide a letter of credit from another utility. It is the District's current policy to hold all deposits for a period of two years. Deposits are then refunded in full and no accrued interest is paid.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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 Heritage Ranch Community Services District's California Public Employee's Retirement System (CalPERS) plan (Plan) 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.
- M. Other Post-Employment Benefits (OPEB) - For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- N. Deferred Outflows and Inflows of Resources - Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Notes 8 and 9 for a detailed listing of the deferred outflows of resources the District has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Notes 8 and 9 for a detailed listing of the deferred inflows of resources the District has reported.

- O. Net Position - GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

- P. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, 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.
- Q. Annual Appropriations Limit - The District is exempt from the annual appropriations limit required by Senate Bill 813 (Chapter 1025, Statutes of 1987), in accordance with California Constitution Article XIII B. This exemption is based on a tax rate not greater than 12.5 cents per \$100 of the assessed valuation in 1978 when the District was operated as a San Luis Obispo County Service Area.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- R. Property Taxes - Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations - are established by the Assessor of the County of San Luis Obispo for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

Tax Collections - are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments - Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Tax Levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

- S. Fund financial statements - Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2024

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

T. Future Accounting Pronouncements - GASB Statements listed below will be implemented in future financial statements:

Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.
Statement No. 102	"Certain Risk Disclosures"	The provisions of this statement are effective for fiscal years beginning after June 15, 2024.
Statement No. 103	"Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

**NOTE 3 – CASH AND INVESTMENTS**

Investments are carried at fair value in accordance with GASB Statements No. 31 and 72. On June 30, 2024, the District had the following cash and investments on hand:

Cash on hand	\$ 300
Cash in banks	526,066
Investments	<u>3,931,261</u>
Total	<u>\$ 4,457,627</u>

Cash and investments listed above are presented on the accompanying basic financial statements, as follows:

Cash and investments	\$ 4,274,918
Restricted cash	<u>182,709</u>
Total	<u>\$ 4,457,627</u>

The District categorizes its fair value measurements within the fair value hierarchy established by the U.S. Generally Accepted Accounting Principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has no investments measured at Levels 1, 2, or 3.

Investments Authorized by the California Government Code

The table on the following page identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

Investments Authorized by the California Government Code (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	5 years	15%	10%
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None

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 evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
State investment pool (LAIF)	\$ 3,931,261	\$ 3,931,261	\$ -	\$ -	\$ -
	<u>\$ 3,931,261</u>	<u>\$ 3,931,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Fiscal Year End</u>			
			<u>AAA</u>	<u>AA-</u>	<u>Baa</u>	<u>Not Rated</u>
State investment pool (LAIF)	\$ 3,931,261	N/A	\$ -	\$ -	\$ -	\$ 3,931,261
	<u>\$ 3,931,261</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,931,261</u>

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

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 and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial 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 government 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 fair 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2024, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 4 – SCHEDULE OF CAPITAL ASSETS**

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2024, is shown below:

	Balance				Balance
	July 1, 2023	Additions	Deletions	Transfers	June 30, 2024
<b>Non depreciable</b>					
Land	\$ 56,938	\$ -	\$ -	\$ -	\$ 56,938
Construction in progress	663,893	799,910		125,911	1,589,714
Total non depreciable	<u>\$ 720,831</u>	<u>\$ 799,910</u>	<u>\$ -</u>	<u>\$ 125,911</u>	<u>\$ 1,646,652</u>
<b>Depreciable</b>					
Buildings and structures	\$ 2,395,164	\$ -	\$ -	\$ -	\$ 2,395,164
Plant and facilities	14,033,396			(125,911)	13,907,485
Vehicles and Equipment	2,213,460	15,589			2,229,049
	<u>18,642,020</u>	<u>15,589</u>		<u>(125,911)</u>	<u>18,531,698</u>
<b>Less accumulated depreciation</b>					
Buildings and structures	(1,367,142)	(75,109)			(1,442,251)
Plant and facilities	(9,290,277)	(337,159)			(9,627,436)
Vehicles and Equipment	(1,264,349)	(59,859)			(1,324,208)
	<u>(11,921,768)</u>	<u>(472,127)</u>			<u>(12,393,895)</u>
Total depreciable	<u>\$ 6,720,252</u>	<u>\$ (456,538)</u>	<u>\$ -</u>	<u>\$ (125,911)</u>	<u>\$ 6,137,803</u>
Net capital assets	<u>\$ 7,441,083</u>	<u>\$ 343,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,784,455</u>

Depreciation expense for the fiscal year ended June 30, 2024 was \$472,127.

**NOTE 5 – LONG-TERM LIABILITIES**

The District obtained a \$2,179,398 loan through direct borrowing from the State of California – Department of Water Resources (DWR) in 1994, under the Safe Drinking Water Bond Law of 1984, for the construction of a water treatment plant and modifications to its well and booster. The loan is secured by the property of the District. In the event of a default, all unpaid balance and interest becomes immediately due and the State would have the right to take over all of the District’s property and operate the water system. The loan is payable over 35 years and bears interest at 3.1775% annually. In October of 1994 the District began making semi-annual payments of principal and interest. Remaining semi-annual principal and interest payments of \$51,814 will be made in October and April through fiscal year 2029. As of June 30, 2024, the District has a balance of \$475,638 remaining with future debt service payments as follows:

Fiscal Year	Principal	Interest	Total
Ending			
2025	\$ 89,237	\$ 14,391	\$ 103,628
2026	92,074	11,554	103,628
2027	95,023	8,605	103,628
2028	98,054	5,574	103,628
2029	101,250	2,378	103,628
	<u>\$ 475,638</u>	<u>\$ 42,502</u>	<u>\$ 518,140</u>



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

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**NOTE 5 – LONG-TERM LIABILITIES (Continued)**

The District obtained a \$984,090 loan through direct borrowing from the State of California – State Water Resources Control Board in 2015, for the District’s plant construction and modification. The loan is secured by all of the revenue of the Water Fund. In the event of a default all remaining outstanding balance is immediately due and payable and the State has the right to seizure of Water Fund revenue. The loan is payable over 20 years and bears interest at 1.788% annually. In July of 2016 the District began making semiannual principal and interest payments. Remaining semiannual payments of \$29,370 will be made in July and January through fiscal year 2036. As of June 30, 2024, the District has a balance of \$608,142 remaining with future debt service payments as follows:

Fiscal Year	Principal	Interest	Total
Ending			
2025	\$ 23,934	\$ 5,435	\$ 29,369
2026	48,512	10,227	58,739
2027	49,383	9,356	58,739
2028	50,269	8,469	58,738
2029	51,172	7,567	58,739
2030-2034	269,976	23,717	293,693
2035-2036	114,896	2,581	117,477
	<u>\$ 608,142</u>	<u>\$ 67,352</u>	<u>\$ 675,494</u>

The District obtained a \$1,707,000 loan from direct borrowing with the Western Alliance Business Trust on April 1, 2020, for the construction of the District’s solar energy general facilities at the Water and Wastewater Treatment Plants. The loan is secured by the solar equipment. In the event of a default, all remaining loan payments are immediately due and payable. The loan is payable over 15 years and bears interest at 3.26% annually. In October of 2020 the District began making semiannual principal and interest payments. Remaining semiannual payments will be made in October and April through fiscal year 2035. As of June 30, 2024, the District has a balance of \$1,403,000 remaining with future debt service payments as follows:

Fiscal Year	Principal	Interest	Total
Ending			
2025	\$ 108,000	\$ 44,858	\$ 152,858
2026	111,000	41,320	152,320
2027	115,000	37,669	152,669
2028	119,000	33,888	152,888
2029	123,000	29,976	152,976
2030-2034	678,000	86,586	764,586
2035	149,000	12,062	161,062
	<u>\$ 1,403,000</u>	<u>\$ 286,359</u>	<u>\$ 1,689,359</u>

**NOTE 6 – COMPENSATED ABSENCES**

As of June 30, 2024, it is estimated that the District’s employees have \$101,295 of accumulated vested vacation time and sick leave. Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the District. The accumulated benefits will be liquidated in future years as employees elect to use them.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 7 – SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES**

The changes in long-term liabilities for the fiscal year ended June 30, 2024, were as follows:

	July 1, 2023	Additions	Retirements	June 30, 2024	Due within one year
Compensated absences	\$ 100,176	\$ 48,637	\$ (47,518)	\$ 101,295	\$ 33,731
State DWR loan payable - direct borrowing	562,032		(86,394)	475,638	89,237
State SWRCB loan payable - direct borrowing	655,376		(47,234)	608,142	23,934
Solar loan payable - direct borrowing	1,508,000		(105,000)	1,403,000	108,000
Net OPEB liability	607,121	219,131		826,252	
Net pension liability	1,454,925	88,106		1,543,031	
	<u>\$ 4,887,630</u>	<u>\$ 355,874</u>	<u>\$ (286,146)</u>	<u>\$ 4,957,358</u>	<u>\$ 254,902</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plans**

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 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, 2024, are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2013	Prior to January 1, 2013 (tier 2)	On or after January 1, 2013
Hire Date			
Benefit formula	2.0% @ 55	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	7.75%
Required employer contribution rates	14.06% + \$105,128	11.84%	7.680%

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 July 1 following notice of a change in the rate. Funding contributions for the Plan is 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. Contributions to the pension plan from the District were \$198,355 for the fiscal year ended June 30, 2024.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2024

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

At June 30, 2024, the District reported a liability of \$1,543,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 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 proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The District’s proportionate share of net pension liability for the miscellaneous plan as of June 30, 2022, and 2023 was as follows:

	<u>Miscellaneous</u>
Proportion-June 30, 2022	0.03109%
Proportion-June 30, 2023	0.03086%
Change-Increase (Decrease)	<u>-0.00023%</u>

For the fiscal year ended June 30, 2024, the District recognized pension expense of \$246,116. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 198,355	\$ -
Differences between expected and actual experience	78,826	12,228
Changes in assumptions	93,160	
Net difference between projected and actual earnings on retirement plan investments	249,831	
Adjustment due to differences in proportions		9,776
Difference in actual contributions and proportionate share of contributions	28,599	25,318
	<u>\$ 648,771</u>	<u>\$ 47,322</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$198,355 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 the pension expenses as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2025	\$ 116,559
2026	83,157
2027	196,209
2028	7,169
Total	<u>\$ 403,094</u>

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

*Actuarial Assumptions*

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The probabilities 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.

*Long-term Expected Rate of Return*

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return (a,b)
Global Equity - cap-weighted	30.0%	4.54%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporations	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100.0%</u>	

(a) An expected inflation of 2.30% was used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management Study.

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

*Discount Rate*

The discount rate used to measure the total pension liability for PERF C 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.

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

The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, 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 (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	1% Decrease <u>5.90%</u>	Discount Rate <u>6.90%</u>	1% Increase <u>7.90%</u>
District's proportionate share of the net pension plan liability	\$ 2,240,348	\$ 1,543,031	\$ 969,080

*Pension Plan Fiduciary Net Position*

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

**C. Payable to the Pension Plan**

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

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

The District provides other post-employment benefits (OPEB) through the California Employers' Retiree Benefit Fund (CERBT), an agent multiple-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS). Benefits are provided to employees who retire at age 50 or older with five years of eligible CalPERS service. Coverage is also provided to eligible retirees, spouses and surviving spouses. For employees hired prior to February 1, 2006, the District’s financial obligation is to pay 100% of the cost of coverage for the eligible retiree and any eligible dependents. For employees hired on or after February 1, 2006, the District’s contribution percentage is based on the employee’s years of CalPERS eligible service at retirement starting at 50% for employees with 10 years increasing by 5% per year of service up to 100%. The District’s maximum contribution is based on the applicable contribution percentage applied to the average weighted premium rates established annually by CalPERS. As of June 30, 2020 the maximum contribution is 90% of the lowest cost plan available in San Luis Obispo. The District also pays administrative fees equal to 0.33% of total premiums. These benefits are provided per contract between the District and the employee associations. Separate financial statements of the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, and CA 95814 or by visiting the CalPERS’ website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Funding Policy

In 2009, the District joined the CalPERS medical program. In 2021, the District contributed the full cost of retiree and spousal coverage, up to the cost of PERS Choice coverage in comparison to the "unequal contribution" approach that was used at the inception of the CalPERS medical program. The District's contribution will be based on each retiree's age and enrollment status. The contribution requirements of plan members and the District are established and may be amended by the District and the employee associations. Currently, contributions are not required from plan members.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2024

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**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Employees Covered

As of the July 1, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the District’s Plan:

Active employees	8
Inactive employees or beneficiaries currently receiving benefits	<u>5</u>
Total	<u><u>13</u></u>

Contributions

The District contributed \$28,306 to an irrevocable trust to meet the current obligations of this program and directly paid \$47,785 in retiree health benefits in the measurement period ending June 30, 2023.

Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2023.

*Actuarial assumptions.* The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	6.00%, based on the CERBT Strategy 1 investment policy
Inflation	2.30%
Salary Increases	2.80%
Mortality Rate	Derived from 2021 CalPERS Experience study
Healthcare Trend Rate	5.50% starting and decreasing to 4.00% by 2076 and beyond

*Discount rate.* GASB Statement No. 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20 years, tax-exempt general obligation municipal bonds with an average of AA/Aa or better for benefits not covered by plan assets.

The arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan shown in the Investments portion of this Note. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.30 % inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Discount Rate	6.00%	6.20%	5.95%
Bond buyer 20-Bond GO Index	4.09%	4.09%	2.18%

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Changes in the OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2022-Measurement Date	\$ 1,200,975	\$ 593,854	\$ 607,121
Changes recognized for the measurement period:			
Service cost	83,788		83,788
Interest	77,771		77,771
Changes of assumptions	(55,799)		(55,799)
Difference between expected and actual experience	241,696		241,696
Contributions - employer		90,020	(90,020)
Net investment income		38,478	(38,478)
Benefit payments	(61,714)	(61,714)	
Administrative expense		(173)	173
Net Changes	285,742	66,611	219,131
Balance at June 30, 2023-Measurement Date	\$ 1,486,717	\$ 660,465	\$ 826,252

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.00 percent) or 1 percentage-point higher (7.00 percent) than the current discount rate:

	1% Decrease 5.00%	Discount Rate 6.00%	1% Increase 7.00%
Net OPEB Liability	\$ 1,031,877	\$ 826,252	\$ 655,853

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (4.50 percent decreasing to 3.00 percent) or 1 percentage-point higher (6.50 percent decreasing to 5.00 percent) than the current healthcare cost trend rates:

	1% Decrease (4.50% decreasing to 3.00%)	Trend Rate (5.50% decreasing to 4.00%)	1% Increase (6.50% decreasing to 5.00%)
Net OPEB Liability	\$ 625,646	\$ 826,252	\$ 1,080,193

Investments

The allocation of the plan's invested assets is established by CERBT Strategy 1. The objective is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The asset allocations and benchmarks for CERBT Strategy 1 are listed below:

<u>Asset Classification</u>	<u>Target Allocation</u>	<u>Rate of Return Expected Real</u>
Global Equity	49.0%	5.90%
Fixed Income	23.0%	0.90%
REITs	20.0%	3.30%
Treasury Protected Securities	5.0%	0.40%
Commodities	3.0%	0.40%
Total:	<u>100.0%</u>	

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2024

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**NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2024, the District recognized OPEB expense of \$90,192. As of the fiscal year ended June 30, 2024, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 59,749	\$ -
Change in assumptions	160,222	150,018
Difference between expected and actual experience	217,526	389,045
Net difference between projected and actual earnings on retirement plan investments	40,560	
	<u>\$ 478,057</u>	<u>\$ 539,063</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net OPEB liability to be recognized in future periods in a systematic and rational manner.

\$59,749 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2025.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Fiscal year Ending June 30,</u>	<u>Amount</u>
2025	\$ (34,014)
2026	(37,259)
2027	(16,874)
2028	(43,032)
2029	(41,240)
Thereafter	51,664
	<u>\$ (120,755)</u>

**NOTE 10 – CONTINGENCIES**

According to the District’s attorney, no contingent liabilities are outstanding, and no lawsuits are pending of any real financial consequence.



**REQUIRED SUPPLEMENTARY INFORMATION**

Body

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
Last 10 Years  
As of June 30, 2024

The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Proportion of the net pension liability	0.01237%	0.01260%	0.01400%	0.01137%	0.01106%
Proportionate share of the net pension liability	\$ 1,543,031	\$ 1,454,925	\$ 757,308	\$ 1,237,384	\$ 1,132,897
Covered payroll	\$ 859,634	\$ 754,252	\$ 550,141	\$ 624,822	\$ 610,870
Proportionate share of the net pension liability as percentage of covered payroll	179.5%	192.9%	137.7%	198.0%	185.5%
Plan's total pension liability	\$ 52,441,984,274	\$ 49,525,975,138	\$ 46,174,942,264	\$ 43,702,930,887	\$ 41,426,453,489
Plan's fiduciary net position	\$ 39,966,633,692	\$ 37,975,170,163	\$ 40,766,653,876	\$ 32,822,501,335	\$ 31,179,414,067
Plan fiduciary net position as a percentage of the total pension liability	76.21%	76.68%	88.29%	75.10%	75.26%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.00980%	0.00842%	0.00930%	0.01103%	0.00990%
Proportionate share of the net pension liability	\$ 944,816	\$ 834,917	\$ 805,086	\$ 757,076	\$ 615,781
Covered payroll	\$ 630,044	\$ 588,355	\$ 686,124	\$ 600,300	\$ 604,419
Proportionate share of the net pension liability as percentage of covered payroll	150.0%	141.9%	117.3%	126.1%	101.9%
Plan's total pension liability	\$ 38,944,855,364	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 29,308,589,559	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

**Notes to Schedule:**

There were no changes to assumptions but SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring after July 1, 2023 which resulted in a change between expected and actual experience.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
Last 10 Years  
As of June 30, 2024

The following table provides required supplementary information regarding the District's Pension Plan.

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually required contribution (actuarially determined)	\$ 198,355	\$ 189,007	\$ 169,359	\$ 143,659	\$ 137,080
Contribution in relation to the actuarially determined contributions	(198,355)	(189,007)	(169,359)	(143,659)	(137,080)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 913,504	\$ 859,634	\$ 754,252	\$ 550,141	\$ 624,822
Contributions as a percentage of covered payroll	21.71%	21.99%	22.45%	26.11%	21.94%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution (actuarially determined)	\$ 148,633	\$ 115,809	\$ 103,627	\$ 99,444	\$ 93,706
Contribution in relation to the actuarially determined contributions	(148,633)	(115,809)	(103,627)	(99,444)	(93,706)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 610,870	\$ 630,044	\$ 588,355	\$ 686,124	\$ 600,300
Contributions as a percentage of covered payroll	24.33%	18.38%	17.61%	14.49%	15.61%

**Notes to Schedule:**

There were changes to assumptions for the fiscal year ended June 30, 2024. The discount rate decreased from 6.90% to 6.80% and the rate of inflation decreased from 2.50% to 2.30%

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
Last 10 Years\*  
As of June 30, 2024

<u>Fiscal Year Date</u>	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
<u>Measurement Date</u>	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
<b>Total OPEB Liability</b>					
Service cost	\$ 83,788	\$ 36,410	\$ 38,672	\$ 42,910	\$ 36,604
Interest on the total OPEB liability	77,771	71,792	103,826	98,687	94,721
Actual and expected experience difference	241,696		(467,134)		(204,342)
Changes in assumptions	(55,799)	(45,620)	112,534	(118,230)	200,986
Changes in benefit terms					
Benefit payments	(61,714)	(63,580)	(60,952)	(61,478)	(70,961)
<b>Net change in total OPEB Liability</b>	<b>285,742</b>	<b>(998)</b>	<b>(273,054)</b>	<b>(38,111)</b>	<b>57,008</b>
<b>Total OPEB liability- beginning</b>	<b>1,200,975</b>	<b>1,201,973</b>	<b>1,475,027</b>	<b>1,513,138</b>	<b>1,456,130</b>
<b>Total OPEB liability- ending</b>	<b>\$ 1,486,717</b>	<b>\$ 1,200,975</b>	<b>\$ 1,201,973</b>	<b>\$ 1,475,027</b>	<b>\$ 1,513,138</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 90,020	\$ 91,886	\$ 87,637	\$ 86,478	\$ 95,961
Net investment income	38,478	(89,493)	137,267	16,168	25,223
Benefit payments	(61,714)	(63,580)	(60,952)	(61,478)	(70,961)
Administrative expense	(173)	(166)	(186)	(221)	(86)
Other expenses					
<b>Net change in plan fiduciary net position</b>	<b>66,611</b>	<b>(61,353)</b>	<b>163,766</b>	<b>40,947</b>	<b>50,137</b>
<b>Plan fiduciary net position- beginning</b>	<b>593,854</b>	<b>655,207</b>	<b>491,441</b>	<b>450,494</b>	<b>400,357</b>
<b>Plan fiduciary net position- ending</b>	<b>\$ 660,465</b>	<b>\$ 593,854</b>	<b>\$ 655,207</b>	<b>\$ 491,441</b>	<b>\$ 450,494</b>
<b>Net OPEB liability - ending</b>	<b>\$ 826,252</b>	<b>\$ 607,121</b>	<b>\$ 546,766</b>	<b>\$ 983,586</b>	<b>\$ 1,062,644</b>
<b>Covered payroll</b>	<b>\$ 930,457</b>	<b>\$ 783,408</b>	<b>\$ 611,761</b>	<b>\$ 719,128</b>	<b>\$ 645,139</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	<b>88.80%</b>	<b>77.50%</b>	<b>89.38%</b>	<b>136.77%</b>	<b>164.72%</b>

<u>Fiscal Year Date</u>	6/30/2019	6/30/2018
<u>Measurement Date</u>	6/30/2018	6/30/2017
<b>Total OPEB Liability</b>		
Service cost	\$ 35,538	\$ 34,503
Interest on the total OPEB liability	90,665	88,082
Actual and expected experience difference		
Changes in assumptions		
Changes in benefit terms		
Benefit payments	(58,747)	(50,373)
<b>Net change in total OPEB Liability</b>	<b>67,456</b>	<b>72,212</b>
<b>Total OPEB liability- beginning</b>	<b>1,388,674</b>	<b>1,316,462</b>
<b>Total OPEB liability- ending</b>	<b>\$ 1,456,130</b>	<b>\$ 1,388,674</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 83,747	\$ 75,373
Net investment income	27,739	30,828
Benefit payments	(58,747)	(50,373)
Administrative expense	(187)	(158)
Other expenses	(461)	
<b>Net change in plan fiduciary net position</b>	<b>52,091</b>	<b>55,670</b>
<b>Plan fiduciary net position- beginning</b>	<b>348,266</b>	<b>292,596</b>
<b>Plan fiduciary net position- ending</b>	<b>\$ 400,357</b>	<b>\$ 348,266</b>
<b>Net OPEB liability - ending</b>	<b>\$ 1,055,773</b>	<b>\$ 1,040,408</b>
<b>Covered payroll</b>	<b>\$ 552,532</b>	<b>\$ 602,594</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	<b>191.08%</b>	<b>172.65%</b>

\*- Fiscal year 2018 was the 1st year of implementation, thus only seven years are shown.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
Last 10 Years\*  
As of June 30, 2024

The following table provides required supplementary information regarding the District's OPEB Plan.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution (actuarially determined)	\$ 136,423	\$ 62,647	\$ 101,300	\$ 98,553	\$ 95,878
Contribution in relation to the actuarially determined contributions	(95,732)	(90,020)	(91,886)	(87,637)	(86,478)
Contribution deficiency (excess)	<u>\$ 40,691</u>	<u>\$ (27,373)</u>	<u>\$ 9,414</u>	<u>\$ 10,916</u>	<u>\$ 9,400</u>
Covered payroll	\$ 913,504	\$ 930,457	\$ 783,408	\$ 611,761	\$ 719,128
Contributions as a percentage of covered payroll	10.48%	9.67%	11.73%	14.33%	12.03%
	<u>2019</u>	<u>2018</u>			
Contractually required contribution (actuarially determined)	\$ 88,399	\$ 88,399			
Contribution in relation to the actuarially determined contributions	(95,961)	(83,747)			
Contribution deficiency (excess)	<u>\$ (7,562)</u>	<u>\$ 4,652</u>			
Covered payroll	\$ 645,139	\$ 552,532			
Contributions as a percentage of covered payroll	14.87%	15.16%			

\*- Fiscal year 2018 was the 1st year of implementation, thus only seven years are shown.

**SUPPLEMENTARY INFORMATION**



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF NET POSITION - BY ACTIVITY**  
**June 30, 2024**

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>General</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 2,254,367	\$ 1,040,125	\$ 208,119	\$ 772,307	\$ 4,274,918
Taxes receivable	15,570	6,265	1,291	2,070	25,196
Accounts receivable	190,279	117,891			308,170
Interest receivable	33,710	10,645			44,355
Inventory	33,843				33,843
Total current assets	<u>2,527,769</u>	<u>1,174,926</u>	<u>209,410</u>	<u>774,377</u>	<u>4,686,482</u>
Noncurrent assets:					
Restricted cash	182,709				182,709
Capital assets					
Land	56,747	191			56,938
Construction in progress	329,304	1,260,410			1,589,714
Property, plant, and equipment	12,500,023	5,552,870		478,805	18,531,698
Accumulated depreciation	<u>(7,520,957)</u>	<u>(4,424,058)</u>		<u>(448,880)</u>	<u>(12,393,895)</u>
Net capital assets	<u>5,365,117</u>	<u>2,389,413</u>		<u>29,925</u>	<u>7,784,455</u>
Total noncurrent assets	<u>5,547,826</u>	<u>2,389,413</u>		<u>29,925</u>	<u>7,967,164</u>
Total assets	<u>8,075,595</u>	<u>3,564,339</u>	<u>209,410</u>	<u>804,302</u>	<u>12,653,646</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred OPEB	176,881	119,514		181,662	478,057
Deferred pension	227,070	149,217		272,484	648,771
Total deferred outflows of resources	<u>403,951</u>	<u>268,731</u>		<u>454,146</u>	<u>1,126,828</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	3,304	41,347		712	45,363
Accrued payroll	3,907	2,605		8,268	14,780
Interest payable	12,322	2,891			15,213
Deposits	300				300
Current portion of compensated absences	7,711	5,141		20,879	33,731
Current portion of loans payable	113,171				113,171
Current portion of capital lease payable	80,698	27,302			108,000
Total current liabilities	<u>221,413</u>	<u>79,286</u>		<u>29,859</u>	<u>330,558</u>
Long-term liabilities:					
Compensated absences	15,446	10,297		41,821	67,564
Loans payable	970,609				970,609
Capital lease payable	967,624	327,376			1,295,000
Net OPEB liability	305,713	206,563		313,976	826,252
Net pension liability	540,061	354,897		648,073	1,543,031
Total liabilities	<u>3,020,866</u>	<u>978,419</u>		<u>1,033,729</u>	<u>5,033,014</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred OPEB	199,453	134,766		204,844	539,063
Deferred pension	16,563	10,884		19,875	47,322
Total deferred inflows of resources	<u>216,016</u>	<u>145,650</u>		<u>224,719</u>	<u>586,385</u>
<b>NET POSITION</b>					
Net investment in capital assets	3,233,015	2,034,735		29,925	5,297,675
Restricted for debt service	170,387				170,387
Unrestricted	1,839,262	674,266	209,410	(29,925)	2,693,013
Total net position	<u>\$ 5,242,664</u>	<u>\$ 2,709,001</u>	<u>\$ 209,410</u>	<u>\$ -</u>	<u>\$ 8,161,075</u>

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BY ACTIVITY**

For the Fiscal Year Ended June 30, 2024

	Water	Sewer	Solid Waste	General	Total
<b>Operating Revenues:</b>					
Service fees	\$ 1,516,289	\$ 1,027,342	\$ -	\$ -	\$ 2,543,631
Turn-on fees	1,380	920			2,300
Hook-up fees	1,000	200			1,200
Late charges and miscellaneous	19,688	12,951		1,702	34,341
	<u>1,538,357</u>	<u>1,041,413</u>		<u>1,702</u>	<u>2,581,472</u>
<b>Operating Expenses:</b>					
Salaries and wages	244,258	162,838		550,760	957,856
Payroll taxes and benefits	181,143	120,754		282,565	584,462
Publicity				1,884	1,884
Chemicals and gases	49,099	27,524			76,623
Engineering	14	9			23
Fuel and oil	9,734	6,489		641	16,864
Lab testing	27,438	26,050			53,488
Licenses and fees	20,231	11,774			32,005
Repairs and maintenance	174,375	43,448		2,986	220,809
Small tools and supplies	27,550	5,630		27,347	60,527
Uniforms and laundry	2,507	1,671			4,178
Alarm	993	993		1,985	3,971
Dues and publications	6,690	3,831		8,120	18,641
Insurance	19,513	14,867		12,079	46,459
Office expense				20,005	20,005
Professional services	4,115	20,503		55,277	79,895
Telephone and utilities	58,422	109,351		10,925	178,698
Training	2,693	2,008		7,622	12,323
Tax collections				6,542	6,542
Water purchase	30,148				30,148
Depreciation	358,116	108,791		5,220	472,127
	<u>1,217,039</u>	<u>666,531</u>		<u>993,958</u>	<u>2,877,528</u>
Total operating expenses					
Net operating income (loss)	<u>321,318</u>	<u>374,882</u>		<u>(992,256)</u>	<u>(296,056)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Taxes and assessments	255,976	141,438		71,423	468,837
Standby assessments	207,062	42,410			249,472
Franchise fees			98,829		98,829
Investment income	135,628	39,382			175,010
Interest expense	(63,501)	(11,997)			(75,498)
Transfers in (out)	(478,834)	(368,332)	(73,667)	920,833	
	<u>56,331</u>	<u>(157,099)</u>	<u>25,162</u>	<u>992,256</u>	<u>916,650</u>
Total non-operating revenues (expenses)					
<b>Capital Contributions:</b>					
Connection fees	12,681	15,551			28,232
	<u>12,681</u>	<u>15,551</u>			<u>28,232</u>
Change in net position	390,330	233,334	25,162		648,826
<b>Net position:</b>					
Net position, beginning of fiscal year	4,852,334	2,475,667	184,248		7,512,249
Net position, end of fiscal year	<u>\$ 5,242,664</u>	<u>\$ 2,709,001</u>	<u>\$ 209,410</u>	<u>\$ -</u>	<u>\$ 8,161,075</u>



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS - BY ACTIVITY**  
For the Fiscal Year Ended June 30, 2024

	Water	Sewer	Solid Waste	General	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 1,481,118	\$ 999,899	\$ -	\$ 1,702	\$ 2,482,719
Payments to vendors	(515,934)	(349,331)		(157,569)	(1,022,834)
Payments to employees	(400,581)	(267,103)		(796,561)	(1,464,245)
Net cash provided (used) by operating activities	564,603	383,465		(952,428)	(4,360)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Property taxes	250,147	138,672	(218)	70,398	458,999
Franchise fees			98,829		98,829
Stand by fees	207,062	42,410			249,472
Transfers	(478,834)	(368,332)	(73,667)	920,833	
Net cash provided (used) by noncapital financing activities	(21,625)	(187,250)	24,944	991,231	807,300
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(125,054)	(674,856)		(15,589)	(815,499)
Principal paid on long-term debt	(212,084)	(26,544)			(238,628)
Interest paid on long-term debt	(64,839)	(12,213)			(77,052)
Connection fees	12,681	15,551			28,232
Net cash used by capital and related financing activities	(389,296)	(698,062)		(15,589)	(1,102,947)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	127,373	36,775			164,148
Net cash provided by investing activities	127,373	36,775			164,148
Net increase (decrease) in cash and cash equivalents	281,055	(465,072)	24,944	23,214	(135,859)
Cash and cash equivalents, July 1	2,156,021	1,505,197	183,175	749,093	4,593,486
Cash and cash equivalents, June 30	<u>\$ 2,437,076</u>	<u>\$ 1,040,125</u>	<u>\$ 208,119</u>	<u>\$ 772,307</u>	<u>\$ 4,457,627</u>
Reconciliation to Statement of Net Position:					
Cash and investments	\$ 2,254,367	\$ 1,040,125	\$ 208,119	\$ 772,307	\$ 4,274,918
Restricted cash	182,709				182,709
Total cash and investments	<u>\$ 2,437,076</u>	<u>\$ 1,040,125</u>	<u>\$ 208,119</u>	<u>\$ 772,307</u>	<u>\$ 4,457,627</u>

(Continued)

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS - BY ACTIVITY (CONTINUED)**  
For the Fiscal Year Ended June 30, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>General</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used)</b>					
<b>by operating activities:</b>					
Operating income (loss)	\$ 321,318	\$ 374,882	\$ -	\$ (992,256)	\$ (296,056)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	358,116	108,791		5,220	472,127
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Accounts receivable	(57,339)	(41,514)			(98,853)
Inventory	(1,760)				(1,760)
Deferred outflows	(54,666)	(36,892)		(56,553)	(148,111)
Accounts payables	(80,652)	(75,183)		(2,156)	(157,991)
Accrued payroll	242	162		(1,654)	(1,250)
Compensated absences	(3,401)	(2,268)		6,788	1,119
Deposits	100				100
Net OPEB liability	81,078	54,783		83,270	219,131
Net pension liability	30,837	20,264		37,005	88,106
Deferred inflows	(29,270)	(19,560)		(32,092)	(80,922)
Net cash provided (used) by operating activities	<u>\$ 564,603</u>	<u>\$ 383,465</u>	<u>\$ -</u>	<u>\$ (952,428)</u>	<u>\$ (4,360)</u>

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager

**DATE:** October 17, 2024

**SUBJECT:** Request to approve an agreement to provide utility bill auditing services with Utility Cost Management, LLC.

#### **Recommendation**

It is recommended that the Board of Directors approve an agreement to provide utility bill auditing services with Utility Cost Management, LLC.

#### **Background**

Utility Cost Management, LLC (UCM) is a CSDA endorsed affiliate consultant that provides utility bill analysis, regulatory intervention, and rate and regulatory consulting. The District utilized the services of UCM in 2008.

#### **Discussion**

The specific services associated with this item are for analysis of the District PG&E bills and potential implementation of all or some of the findings.

Utility charges are determined by complex, ever-changing rules and regulations, which are becoming increasingly convoluted as customers generate more of their own energy and adopt new technologies. Meanwhile, there is a tremendous amount of utility data available from “smart meters”, software programs, control systems, and submeters. For large customers, even the most sophisticated consumers of utility services, the challenge of managing all this information to minimize costs can be daunting – especially if they have numerous accounts.

This is where UCM’s Utility Bill Analysis can help. UCM analyzes utility charges on a meter-by-meter, account-by-account basis to identify billing discrepancies and other savings opportunities. UCM’s expertise gathering and organizing utility data, performing in-depth analyses of that data, and understanding utility tariffs, rates and regulations allows it to find billing changes and other cost-reduction strategies that others miss.

But more important than simply identifying opportunities, UCM's goal is to get the opportunities implemented. UCM takes care of the entire process and knows how to communicate with utilities to make the desired billing changes.

The Utility Bill Analysis service offers many benefits:

- No Risk – UCM's compensation is a percentage of actual savings realized, *after* clients have received the savings. If UCM cannot generate results, clients pay nothing.
- No Out-of-Pocket Costs – UCM never asks for up-front fees or deposits, and the savings that are implemented require no capital investment.
- No Hassle – UCM obtains most of the information needed for its analyses directly from utility providers and can complete its work with almost no client time.
- Proven Results – UCM has a 30-year track record obtaining material savings for a wide variety of clients, including some of the largest commercial and governmental utility customers.
- Complements Existing Client Sustainability Efforts – Most customers already have programs in place to reduce consumption. UCM's work in no way interferes with these efforts, but instead enhances them by ensuring that clients pay the lowest rates possible for each unit of energy that is used.

Staff has found that understanding the PG&E process is not simple because it involves close coordination with them, and the ability, and time, to navigate the complicated rate and tariff structures. We know this from delivering the Photovoltaic System (PVS) project.

Electrical utility rates are governed by the California Public Utilities Commission and are very complex with many different types of charges and rate structures. There may be unknown or hidden savings buried in the rates PG&E is charging us for our various lift stations and pump stations, or we are on the wrong rate structure altogether. UCM has expertise in deciphering all these variables.

We have eighteen (18) accounts with PG&E that UCM would perform the analysis for.

### **Fiscal Considerations**

The District spent approximately \$162,000 on electrical charges last fiscal year even with the PVS, which is a considerable savings if we did not have it. Annual cost also fluctuates based on demand for water, pumping cycles at our facilities, etc. PG&E rates are not going down and are scheduled to increase again in late 2024, and two more times in 2025.

There are no up-front fees for UCM services. If we move forward with the preliminary agreement, they will perform the analysis and provide a report of their findings. After receiving UCM's findings letter, we may elect to pursue some or all of the opportunities described in the findings letter, by executing a separate final agreement. The final agreement will list the specific opportunities that we chose to pursue, and will acknowledge that UCM will be compensated according to the terms of the agreements.

It should be noted that UCM performs the analysis based on the District's current operations and does not make recommendations on changing operations to save money on utility rates.

### **Results**

Approval of an agreement(s) with UCM would provide resources and expertise to move forward in realizing any utility cost savings.

Attachments: UCM – CSDA Preliminary Agreement to Provide Utility Bill Auditing Service  
UCM – CSDA Cooperative Agreement to Provide Utility Bill Auditing Service  
UCM – CSDA Partial Client List

FILE: Projects\_PVS

**UCM – CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA)**  
**PRELIMINARY AGREEMENT TO PROVIDE**  
**UTILITY BILL AUDITING SERVICE**

This Preliminary Agreement is made by and between Utility Cost Management LLC ("UCM") and the entity signing below ("Client").

1. **Applicable to Client's Utility Accounts.** This Agreement will apply to Client's water, sewer, garbage, gas and electricity accounts (and any related utility user taxes, other taxes, assessments, surcharges or fees) with respect to which Client ("Utility Accounts").
2. **Client to Provide Utility Bills and Access to Utility Accounts Information.** On or promptly after Client's execution of this Agreement, Client will provide UCM with a copy of at least one month's utility bills for all of Client's Utility Accounts. UCM is hereby authorized to obtain information relating to the Utility Accounts directly from utility provider personnel and utility provider web sites.
3. **UCM's Findings Letter.** UCM will use its best efforts to identify the basis for any refunds, credits or Future Savings (as defined below) on Client's Utility Accounts. UCM will send one or more "Findings Letters" to Client that generally set forth the basis for any refunds, credits or Future Savings identified by UCM. The Findings Letter, and UCM's work to prepare the Findings Letter, will be provided at no cost to Client.
4. **Client Option to Pursue, or Not Pursue, Opportunities in Findings Letter.** After receiving UCM's Findings Letter, if Client elects to pursue some or all of the opportunities described in the Findings Letter, Client and UCM will execute a separate "Final Agreement". The Final Agreement will list the specific Findings Letter opportunities that Client has chosen to pursue, and will acknowledge that UCM will be compensated according to the terms of Paragraphs 5 and 6 of this Preliminary Agreement. Client is under no obligation to pursue any of the opportunities described in the Findings Letter. However, Client will remain obligated to pay UCM, pursuant to this Agreement, for any refunds, credits or Future Savings, including those that Client has elected not to pursue, that were identified in the Findings Letter and that are thereafter obtained by Client.
5. **UCM's Compensation.** UCM's compensation will consist of the amounts set forth in both (a) and (b) below.
  - (a) **Refunds or Credits.** If Client receives a refund or credit that was identified in the Findings Letter, then Client will pay to UCM **42%** of the amount refunded or credited. The amount of the refund or credit for this purpose will include all amounts refunded or credited (including any portion attributable to interest) for any overcharges that were incurred by Client prior to the date that the overcharges no longer appeared on the Client's utility bill. Payment of UCM's **42%** compensation is due within 30 days of the date UCM mails an invoice to Client.
  - (b) **Future Savings.** If Client obtains Future Savings that were identified in the Findings Letter, then Client will pay UCM **42%** of such Future Savings that accrue during a Three-year Savings Period. "Future Savings" is the amount by which Client's charges on its Utility Accounts are reduced as a result of a change in the billing rate, calculation, method or procedure. Future Savings will be calculated as the difference between the amount Client was billed on its Utility Accounts during the Three-year Savings Period, and the amount that it would have been billed on its Utility Accounts during the Three-year Savings Period if there had been no change in its billing rate, calculation, method or procedure. The Three-year Savings Period begins on the date that the change in the billing rate, calculation, method or procedure is first reflected on Client's utility bill, and ends three years thereafter. UCM will submit invoices periodically to Client for payment based on the Future Savings as they accrue. The invoices will verify (a) that Future Savings have actually been realized by Client, and (b) the amount of such Future Savings. Payment of UCM's invoices is due within 30 days of the date the invoices are mailed to Client. The compensation under this subparagraph will not include compensation for Future Savings that are: (a) the result of a reduction in the amount of utility usage by Client, or (b) the result of Client's utilization of a different utility supplier that provides lower cost utility service.
  - (c) **Client's Prior Knowledge of Basis For Refund, Credit, or Future Savings.** Client is not obligated to pay UCM pursuant to this paragraph for any refund, credit or Future Savings received by Client for which Client had submitted to the utility provider a written claim prior to the date of UCM's Findings Letter. However, Client is obligated to pay UCM pursuant to this paragraph whether or not Client knew of the basis for the refund, credit or Future Savings

prior to the date of UCM’s Findings Letter, and whether or not Client’s receipt of the refund, credit or Future Savings was the result of steps taken by UCM or others, including attorneys.

- 6. **Termination; Effect.** This Agreement will terminate 7 days after either party sends a written notice of termination to the other party. Upon termination, UCM will cease all work on behalf of Client. However, if termination occurs after UCM has sent its Findings Letter to Client, then Client will remain obligated to pay UCM, pursuant to this Agreement, for any refunds, credits or Future Savings that were identified in the Findings Letter and that are thereafter obtained by Client. UCM may continue to obtain and review Client’s utility billing and other information following termination in order to periodically verify whether Client has obtained a refund, credit or Future Savings that was identified in the Findings Letter.
- 7. **Release of Claims Against UCM.** Client acknowledges and agrees that UCM has made no express or implied representation or warranty that it will be successful in identifying or obtaining any refunds, credits, or Future Savings on Client’s Utility Accounts. Client hereby covenants not to bring any action for damages against UCM that is based upon or relates to any failure by UCM to identify or obtain refunds, credits, or Future Savings to which Client was or is entitled.
- 8. **Late Payment Penalty.** If payment of any invoice is not received by UCM within 30 days of the date the invoice is received by Client, then interest on the amount owing will accrue, beginning on the 31<sup>st</sup> day after the invoice was mailed to Client, at the rate of 1% per month (prorated on a daily basis).

<b>UTILITY COST MANAGEMENT LLC</b>
By:
Signature
Print Name
Title
Date

<b>Print Client Name</b>
By:
Signature
Print Name
Title
Date

**UCM – CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA)**  
**COOPERATIVE AGREEMENT TO PROVIDE**  
**UTILITY BILL AUDITING SERVICE**

This agreement is made by and between Utility Cost Management LLC ("UCM") and the entity signing below ("Client") as follows:

1. **Applicable to Client's Utility Accounts.** This Agreement applies to all water, sewer, garbage, gas and electricity accounts (and any related utility user taxes, other taxes, assessments, surcharges or fees) with respect to which Client:
  - (a) is receiving utility service as of the Effective Date (as defined below),
  - (b) has received utility service within three years prior to the Effective Date,
  - (c) receives utility service within one year after the Effective Date, or
  - (d) has permitted or authorized UCM to obtain a copy of the utility bill.

The water, sewer, garbage, gas and electric accounts described in this paragraph are hereinafter referred to as "Utility Accounts". The "Effective Date", as that term is used above, is the first day of the calendar month after both UCM and Client have signed this Agreement.

2. **Client to Provide Utility Bills.** On or promptly after Client's execution of this Agreement, Client will provide UCM with a copy of at least one month's utility bills for all of Client's Utility Accounts.
3. **UCM Authorized to Obtain Information on Utility Accounts.** UCM is hereby authorized to obtain information relating to the Utility Accounts directly from utility provider personnel and utility provider web sites. If site visits are necessary, UCM will first obtain proper authorization from Client.
4. **UCM's Findings Letter.** UCM will use its best efforts to identify the basis for any refunds, credits or Future Savings (as defined below) on Client's Utility Accounts. UCM will send a "Findings Letter" to Client that generally sets forth the basis for any refunds, credits or Future Savings identified by UCM. UCM may, from time to time, supplement or amend its Findings Letter, and such supplement or amendment will be deemed to have occurred on the date the original Findings Letter was sent to Client.
5. **Steps to Obtain Refunds or Savings.** UCM is authorized by Client to take steps to obtain the refunds, credits or Future Savings identified in the Findings Letter. Such steps may include, but are not limited to, communicating, negotiating and dealing with utility providers (or, in the case of utility user taxes or other governmental charges, the appropriate government entity), and seeking relief from the California Public Utilities Commission in a complaint proceeding or other proceeding.
6. **Cooperation By Client.** Client will cooperate with UCM, as reasonable, in UCM's efforts to carry out the purposes and intent of this Agreement. Such cooperation will include, but not be limited to, providing information upon request by UCM concerning Client's utility expenditures, utility service and operations.
7. **UCM's Compensation.**

UCM's compensation will consist of the amounts set forth in both (a) and (b) below.

- (a) **Refunds or Credits.** If Client receives a refund or credit that was identified in the Findings Letter, then Client will pay to UCM 42% of the amount refunded or credited. The amount of the refund or credit for this purpose will include all amounts refunded or credited (including any portion attributable to interest) for any overcharges that were incurred by Client prior to the date that the overcharges no longer appeared on the Client's utility bill. Payment of UCM's 42% compensation is due within 30 days of the date UCM mails an invoice to Client.
- (b) **Future Savings.** If Client obtains Future Savings that were identified in the Findings Letter, then Client will pay UCM 42% of such Future Savings that accrue during a Three-Year Savings Period. "Future Savings" is the amount by which Client's charges on its Utility Accounts are reduced as a result of a change in the billing rate, calculation, method or procedure. Future Savings will be calculated as the difference between the amount Client was billed on its Utility Accounts during the Three-Year Savings Period, and the amount that it would have been billed on its Utility Accounts during the Three-Year Savings Period if there had been no change in its billing rate, calculation, method or procedure. The Three-Year Savings Period begins on the date that the change in the billing rate,



calculation, method or procedure is first reflected on Client's utility bill, and ends three years thereafter. UCM will submit invoices periodically to Client for payment based on the Future Savings as they accrue. The invoices will verify (a) that Future Savings have actually been realized by Client, and (b) the amount of such Future Savings. Payment of UCM's invoices is due within 30 days of the date the invoices are mailed to Client. The compensation under this subparagraph will not include compensation for Future Savings that are: (a) the result of a reduction in the amount of utility usage by Client, or (b) the result of Client's utilization of a different utility supplier that provides lower cost utility service.

(c) **No Compensation for Pending Claim.** Client is not obligated to pay UCM pursuant to this paragraph for any refund, credit or Future Savings received by Client for which Client had submitted to the utility provider a written claim prior to the date of UCM's Findings Letter. However, Client is obligated to pay UCM pursuant to this paragraph whether or not Client knew of the basis for the refund, credit or Future Savings prior to the date of UCM's Findings Letter, and whether or not Client's receipt of the refund, credit or Future Savings was the result of steps taken by UCM or others, including attorneys.

**8. Termination; Effect.** This Agreement will terminate 7 days after either party faxes a written notice of termination to the other party. Upon termination, UCM will cease all work on behalf of Client. However, if termination occurs after UCM has sent its Findings Letter to Client, then Client will remain obligated to pay UCM, pursuant to this Agreement, for any refunds, credits or Future Savings that were identified in the Findings Letter and that are thereafter obtained by Client. UCM may continue to obtain and review Client's utility billing and other information following termination in order to periodically verify whether Client has obtained a refund, credit or Future Savings that was identified in the Findings Letter.

**9. If Client Is Not Utility Customer.** By providing a copy of any utility bill to UCM, Client is thereby agreeing that the Utility Account represented by such bill will be governed by this Agreement, regardless of whether or not Client is the Utility Customer with respect to such Utility Account. For purposes of this Agreement, the Utility Customer is the entity that (i) is named on the Utility Account as reflected by the utility bill, (ii) receives the utility service on the Utility Account, (iii) pays for or is liable for the charges on the Utility Account, or (iv) is the owner of the property at which the utility service is provided on the Utility Account. If Client is not the Utility Customer for a Utility Account then, with respect to that Utility Account, Client represents that it is signing this Agreement in its capacity as agent for the Utility Customer, and as such is authorized to legally bind the Utility Customer to the terms of this Agreement. Client further agrees that the terms of this Agreement will be equally binding on both Client and Customer, that all references in this Agreement to "Client" will also be deemed to be references to the Utility Customer, and that Client and the Utility Customer will be jointly and severally liable for payment of UCM's compensation under this Agreement.

**10. No Legal Services.** Client acknowledges and understands that: (1) Only an attorney can provide legal services or advice, (2) UCM is not an attorney or law firm, and does not and will not provide legal services or advice, (3) UCM does not and will not act as an attorney for Client or any other person, (4) Nothing in this Agreement, and no act, omission or statement by UCM, or its owners or employees, will be construed to create an attorney-client relationship between UCM and Client or any other person, (5) UCM is not subject to the California Rules of Professional Conduct, which govern the conduct of attorneys, and (6) Client should consult an attorney if it wishes to receive legal services or advice.

**11. Disclosure of Information.** UCM may obtain information that pertains to Client's business, operations, or affairs, including but not limited to its utility charges and utility usage. Client expressly authorizes UCM to use and disclose such information to others as necessary or convenient to carry out the services contemplated by this Agreement.

**12. Release of Claims Against UCM.** Client acknowledges and agrees that UCM has made no express or implied representation or warranty that it will be successful in obtaining any refunds, credits, or Future Savings on Client's Utility Accounts. Client hereby waives, releases and forfeits any current or future claim against UCM that is based upon or relates to any failure by UCM to identify or obtain refunds, credits, or Future Savings to which Client may be entitled, or that is based upon or relates to any services or advice provided by UCM.

**13. Representations Made By Client.** It may become necessary for Client to make certain representations to the utility provider or other entity in order obtain refunds, credits or Future Savings identified by UCM in its Findings Letter. Client hereby warrants that any such representations made by Client will be true and correct in all respects. Client understands and agrees that it is Client's responsibility, and not UCM's, to ensure that any such representations made by Client are true and correct in all respects. Client will indemnify and hold UCM harmless for any loss, damage, injury or

claim arising from or related to any false or allegedly false statements made by Client to the utility provider or other entity in connection with any refund, credit or Future Savings identified by UCM.

14. **Late Payment Penalty.** If payment of any invoice is not received by UCM within 30 days of the date the invoice was mailed, then interest on the amount owing will accrue, beginning on the 31<sup>st</sup> day after the invoice was mailed to Client, at the rate of 3% per month (prorated on a daily basis). In addition, if any payment is not received by UCM within 60 days of the date the invoice was mailed to Client, then a fee equal to 10% of the amount owing (including any accrued interest) will be imposed on the 61<sup>st</sup> day after the invoice was mailed. Interest will continue to accrue at 3% per month (prorated on a daily basis) on the entire amount due until paid in full.
15. **Applicable Law.** This Agreement is executed in and intended to be performed in the State of California, and the laws of that state will govern its interpretation and effect.
16. **Venue.** Venue in any legal action arising from or related to this agreement will be Fresno County, California.
17. **Paragraph References.** A reference to a “paragraph” of this Agreement includes both the numbered paragraph, as well the subparagraphs, if any, that are part of such paragraph. Subparagraphs are designated by lower case letters (e.g., “(a)”, “(b)”, “(c)”).
18. **Severability.** If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the rest of the agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.
19. **Interpretation.** In construing this Agreement, no consideration shall be given to the fact or presumption that any party had a greater or lesser hand in drafting of this Agreement.
20. **Entire Agreement.** This instrument contains the entire Agreement of the parties relating to the rights granted and obligations assumed in this instrument. Any oral representations or modifications concerning this instrument shall be of no force or effect unless contained in a subsequent written modification signed by the party to be charged
21. **Signor Authorized to Bind Client.** The individual signing this agreement on behalf of Client hereby represents and warrants that he/she is authorized to sign on behalf of the Client and to legally bind Client to the terms of this Agreement.

<b>UTILITY COST MANAGEMENT LLC</b>
By:
Signature
Print Name
Title
Date

<b>CLIENT</b>
By:
Signature
Print Name
Title
Date



## UCM Partial Client List: California Special Districts

Alameda County Mosquito Abt. District  
Alameda County Water District\*  
Alpaugh Irrigation District  
Alpine Fire Protection District  
Antelope Valley Cemetery District  
Apple Valley Fire District  
Apple Valley Heights County Water District  
Arden Manor Recreation & Park District  
Arden Park Recreation & Park District  
Aromas Water District  
Arrowbear Park County Water District  
Auburn Area Recreation & Park District  
Bear Mountain Recreation & Park District  
Bear Valley CSD  
Beaumont-Cherry Valley RPD  
Big Bear Airport District  
Big Bear City Airport  
Big Bear CSD  
Biola Community Services District  
Boron Community Service District  
Borrego Water District  
Burney Water District  
Camarillo Health Care District  
Castaic Lake Water Agency  
Castroville CSD  
Central Contra Costa Sanitary District  
Channel Islands Beach CSD  
Chico Area Recreation & Park District  
Coalinga-Huron Recreation & Park District  
Corcoran Irrigation District  
Costa Mesa Sanitary District  
Crescenta Valley Water District  
Crestline Village Water District  
Desert Lake CSD  
Dublin San Ramon Service District  
East Bay M.U.D.  
Eastern Sierra Community Service District  
El Dorado Hills CSD  
El Toro Water District  
Esparto CSD  
Fall River Mills Community Service District  
Fallbrook Public Utilities District  
Feather Water District  
Fern Valley Water District  
Foothill Municipal Water District  
Fresno Irrigation District  
Fulton-El Camino Recreation & Park District  
Gerber-Las Flores Community Services District  
Goleta Sanitary District  
Goleta West Sanitary District  
Graton Community Services District  
Greater Vallejo Recreation District  
Greenfield County Water District  
Grossmont Healthcare District  
Hayward Area Recreation & Park District  
Heritage Ranch Community Services  
Hi-Desert Water District  
High Valleys Water District  
Kensington Fire Protection District  
Kern County Cemetery District  
La Habra Heights County Water District  
Laguna Beach County Water District  
Lake Don Pedro CSD  
Lamont Public Utility District  
Laton Community Services District  
Leucadia Wastewater District  
Little Rock Creek Irrigation District  
Livermore Area Recreation & Park District  
Los Alamos CSD\*  
Lower Lake County Waterworks District  
McFarland Rec & Park District  
Mesa Water District\*

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\* Indicates clients for whom UCM performed 100% of Utility Bill Analysis as a subcontractor.



## UCM Partial Client List: California Special Districts

...Continued

Metropolitan Water District of Southern CA	Reclamation District 1000
Montecito Water District	Reclamation District 1001
Moreno Valley Community Services District	Reclamation District 2067
Mt. View Sanitary District	Reclamation District 348
Nipomo Community Services District	Reclamation District 800 - Byron Tract
North Coast County Water District	Rim of the World Recreation & Park District
North County Cemetery District	Rio Linda-Elverta Recreation & Park District
North Edwards Water District	Rodeo Sanitary District
North Kern Water Storage District*	Ross Valley Sanitary District (RVSD)
North of The River Rec & Park District	Rossmoor Community Services District
Olivenhain Municipal Water District	Rowland Water District
Orange County Cemetery District	Rubidoux Community Services District
Orange County Fire Authority*	Running Springs Water District
Orange County Water District	Sacramento Metro Fire District
Orange Cove Irrigation District	San Lorenzo Valley Water District
Orangevale Recreation & Park District	San Mateo County Harbor District
Orosi Public Utility District	San Mateo County Mosquito & Vect. Cont. District
Otay Water District	Sanitary District #5 of Marin County
Pajaro Valley Water Management Agency	Santa Cruz Port District
Paradise Recreation & Park District	Santa Lucia CSD
Pauma Valley Community Services District	Santa Margarita Water District
Pebble Beach Community Services District	Sativa Los Angeles Water District
Phelan Pinon Hills CSD	Sausalito-Marín City Sanitary District
Pico Water District	Seeley County Water District
Pine Cove Water District	Semitropic Water Storage District
Placentia Library District	Silverado-Modjeska Recreation & Park District
Pleasant Hill Rec & Park District	Sonoma County Water Agency*
Pleasant Valley Recreation & Park District	Soquel Creek Water District
Plumas Eureka Community Services District	South Coast Water District
Purissima Hills Water District	South San Luis Obispo County Sanitation District
Quartz Hill Water District	Southern San Joaquin Municipal Utility District
Quincy Community Services District	Special District Risk Mgmt Authority
Ramona Municipal Water District	Stockton East Water District
Rancho California Water District	Sunnyslope County Water District*
Rancho Pauma Mutual Water Company	Sweetwater Authority
Rancho Simi Recreation & Park District	Sweetwater Springs Water District

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\* Indicates clients for whom UCM performed 100% of Utility Bill Analysis as a subcontractor.



## UCM Partial Client List: California Special Districts

*...Continued*

Tahoe City Public Utility District  
Teapot Dome Water District  
Thermalito Water & Sewer District  
Three Valleys Municipal Water District  
Triunfo Sanitation District  
Tuolumne Recreation & Park District  
Twain Harte Community Services District  
Twentynine Palms Water District  
Union Sanitary District  
United Water Conservation District  
University of California, Berkeley  
Valley Center Municipal Water District  
Valley-Wide Recreation & Park District  
Vandenberg Village CSD  
Ventura Port District  
Ventura River County Water District  
Victor Valley Wastewater Reclamation Authority  
Visalia Public Cemetery District  
Wasco Recreation & Park District  
West County Wastewater District  
West Kern Water District  
West Side Rec & Park District  
Western Municipal Water District  
Yuima Municipal Water District

\* Indicates clients for whom UCM performed 100% of Utility Bill Analysis as a subcontractor.



## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### General Manager Report For the Month of October 2024

In addition to normal administrative, engineering, and operations duties, below are points for several areas of work:

#### Administration

- The General Manager met with the HROA General Manager to check in on areas of mutual interest.
- The General Manager attended the SLO Chapter CSDA General Managers October meeting.
- The General Manager met with IWMA to review the location and timeline to relocate the Household Hazardous Waste facility to allow for the construction of the WRRF.
- The General Manager attended the CSDA Board October meeting.

#### WRRF Project

- The finance team met several times since the Board directed staff to use the 50%-design cost estimate to inform the rate study. There are several scenarios we will be analyzing to develop the proposed financial plan and proposed rates to support the project. It is anticipated that there will be a meeting with the WRRF Ad Hoc Committee to work through the scenarios.

#### Solid Waste

- Nothing significant to report.

#### Development

- Nothing significant to report.

#### Reservoir Status

- As reported by Monterey County Water Resources Agency (MCWRA), as of October 7, 2024, the reservoir was at approximately 766.6 feet in elevation, 56%

of capacity, and 213,110-acre feet of storage. MCWRA water releases were shown as 109 cfs.

The MCWRA reservoir release schedule updated 8/22/24 estimates the reservoir elevation will be 758.3 feet, 48% of capacity, on January 1, 2025.

