

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors
FROM: Scott Duffield, General Manager
DATE: December 21, 2017
SUBJECT: Election of Board Officers for 2018

Recommendation

It is recommended that the Board of Directors motion to nominate a Board member to the positions of Board President and Vice President for 2018, in separate motions.

Background

At the January 21, 2010 meeting, your Board amended the District Code as follows:

2.110 – Officer Election and Term of Officer

The President and Vice President of the Board shall be elected by the members of the Board for a one-year term pursuant to a rotation policy. The election shall be held at any time during the December meeting.

The above Code reflects your Board's desire to have one year terms for all Board Officers, during their four year term in office with a customary arrangement during the nomination period that provides for any serving Board member to be offered the president position based on seniority. Thus, the Board will rotate the presidency and vice presidency amongst the members. It is not actually a written policy but only a customary practice. Board members may decline an office if nominated.

Discussion

Director Cousineau served as Board President in 2017. Director Burgess served in 2016. Director Foti served in 2015, and Director Barker served in 2014. The next in line during their current office terms would be Director Rowley; then Director Barker, Burgess, and Capps.

Traditionally the next senior Board member has been offered the office of Vice President before their turn as President. Director Rowley served as Vice President in 2017.

The process used to appoint officers is a motion is made, seconded and voted upon for each office.

* * *

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Scott Duffield, General Manager
Robert Crosby, CPA

DATE: December 21, 2017

SUBJECT: Request to accept and direct staff to file the Independent Auditor's Report and Financial Statements for the Year Ended June 30, 2017, prepared by Crosby Company.

Recommendation

It is recommended that the Board of Directors accept and direct staff to file the Independent Auditor's Report and Financial Statements for the Year Ended June 30, 2017, (audit) prepared by Crosby Company.

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 for the annual financial reports to the State Controller.

Discussion

The annual audit is attached for your Board's review and comment. The audit includes a Management Discussion and Analysis (MD&A) report in compliance with Governmental Accounting Standards Board Statement No. 34. The MD&A was prepared by the General Manager and is intended to summarize the financial highlights of the District as compared to last year. The MD&A is an introduction to the audit and provides a document that is more easy to read and understand.

The audit was performed by Robert Crosby, Certified Public Accountant, with information provided from Kristen Gelos, Office Supervisor. Mr. Crosby will present the audit and answer any detailed questions from your Board. The audit provides an opinion that the District's financial statements fairly represent the financial position of the District.

Fiscal Implications

The cost for preparation of the audit is included in the FY 2017/18 Budget.

Results

By providing for the annual financial reports to be filed with the State Controller, the District continues to provide municipal services to the village of Heritage Ranch in a manner that is efficient, safe and in accordance with applicable law.

Attachment: Independent Auditor's Report and Financial Statements for the Year Ended June 30, 2017

**HERITAGE RANCH COMMUNITY
SERVICES DISTRICT**

**Independent Auditor's Report and
Financial Statements**

For the Year Ended
June 30, 2017

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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Independent Auditor's Report

To the Management of
Heritage Ranch Community Services District
Paso Robles, California 93446

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Heritage Ranch Community Services District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my 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 of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the business-type activities of the District, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter
Implementation of New Accounting Standards

As disclosed in Note 1 to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2017.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *viii*, and the Schedule of Funding Progress, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of Contributions, listed on pages 25 through 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Heritage Ranch Community Services District basic financial statements. The combining financial statement schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 basic 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

November 6, 2017

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2017

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, 2017. 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 2017 are as follows:

- The District incurred a deficit after all revenues, expenses and contributions of \$120,914 which represents a 1.64% decrease. This is a decrease over the prior fiscal year, when there was a deficit of \$158,963 or 2.11%. \$492,548 in depreciation expense is included in the financial statements.
- The District's enterprise business-type activities operating and non-operating revenues increased by \$376,524, while expenses increased by \$328,699.
- Water and sewer rate revenue increased by \$38,593 due primarily to the end of the multi-year drought and mandated water use restrictions.
- Water and sewer connection revenue decreased by \$9,776 or 10.31%. Most vacant parcels have purchased their water and sewer connections.
- Non-operating income increased by \$352,393 from the 2016 fiscal year. The increase was primarily due to \$317,465 in grants received for projects completed during the 2017 fiscal year and prior years.
- Capital assets (less depreciation) decreased by \$380,147 or 5%.

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 two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first statements are the *government-wide financial statements* that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District's operations in more detail than the *government-wide 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.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

Government-wide and fund financial statements

The government-wide financial statement (i.e. the statements of net assets and activities) reports information on all of the activities of the District. 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 government-wide statement reports the District's net assets and how they have changed. Net assets are the difference between the District's assets and liabilities 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 assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- 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 fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District's proprietary funds are the water fund, sewer fund, solid waste fund, and the general fund.

- **Water Fund.** This fund provides for the operation, maintenance, and improvements to the District's water system. The system includes the two million gallon per day water treatment plant, plate settler tanks, five storage tanks, six pump stations, and over sixteen miles of pipeline. As of June 30, 2017, there were 1,887 approved water connections; of these 1,867 were active. The water fund receives revenue from user fees, standby revenue, property taxes, and interest income.
- **Sewer Fund.** This fund 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, 2017, there were 1,720 active sewer connections. The sewer fund receives revenue from user fees, standby revenue, property taxes, and interest income.
- **Solid Waste Fund.** This fund administers and acts as the franchiser for the solid waste agreement. The fund supports the Franchisee, San Miguel Garbage Company, in customer issues and the contractual agreement for solid waste removal at Heritage Ranch. The solid waste fund receives revenue from 8% of all solid waste fees.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2017

Financial Analysis of the District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2017 compared to 2016.

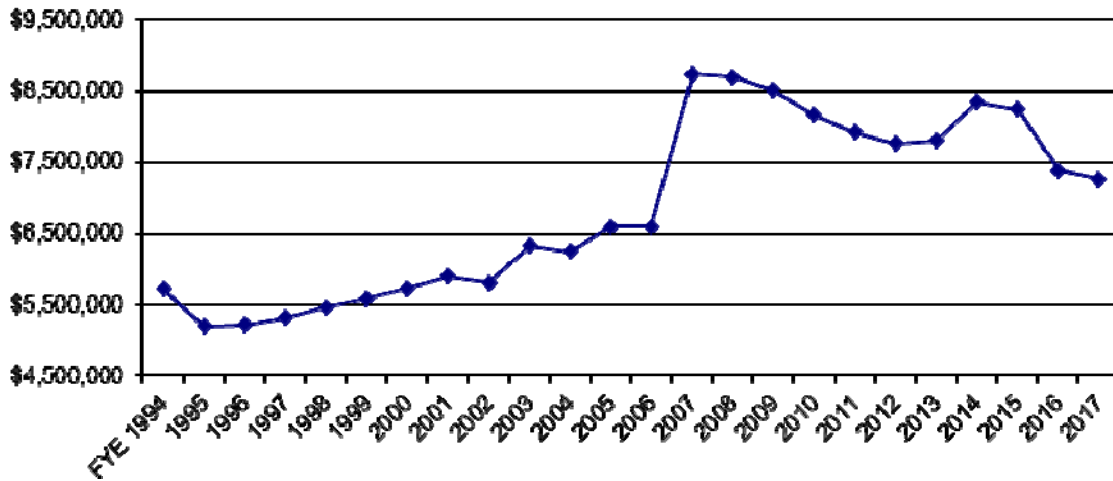
Table 1- Net Position

	FYE 2016	FYE 2017	% Change
Assets			
Cash and equivalents	\$2,348,365	\$2,717,254	15.71%
Restricted cash and investments	112,280	112,392	0.10%
Accounts receivable (net)	311,434	275,004	(11.70%)
Other	38,044	45,683	20.08%
Capital assets (net of depreciation)	7,601,666	7,221,519	(5.00%)
Total Assets	10,411,789	10,371,852	(0.38%)
Liabilities			
Long-term liabilities	1,969,880	1,834,993	(6.85%)
Net Pension liabilities	615,781	757,076	22.95%
Current liabilities	357,913	430,194	20.20%
Total Liabilities	2,943,574	3,022,263	2.67%
Deferred Inflows of Resources			
Deferred Pensions	87,665	89,953	2.61%
Net Position			
Invested in capital assets, net of debt	5,541,628	5,272,523	(4.86%)
Restricted for debt	112,280	112,392	.10%
Restricted by resolution	1,814,307	1,874,721	3.33%
Total Net Position	\$7,380,550	\$7,259,636	(1.64%)

Total net position decreased between fiscal years 2016 and 2017, by 1.64% to \$7,259,636. This decrease is improved over the fiscal year 2016 decrease of 10.46%. All of the District's net assets are restricted either by the purposes they can be used for or are invested in capital assets.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2017

Figure 1 Change in Net Position



Enterprise Activities

Operating revenues increased in fiscal year 2017 by 1.79%. Total expenses increased by 15.45%. Non-Operating revenues increased by 66.54% primarily due to \$317,465 in grants received. Total net position decreased by \$120,914. The water and sewer funds both experienced modest increases in revenue due to the end of the multi-year drought. However the planned rate increase did not impact either the water or sewer funds in fiscal year 2017. All funds continue to experience high operating expense and costly capital improvements to meet new regulatory compliance. A water and sewer rate increase was approved in fiscal year 2018 and further solutions are needed to lower operating costs.

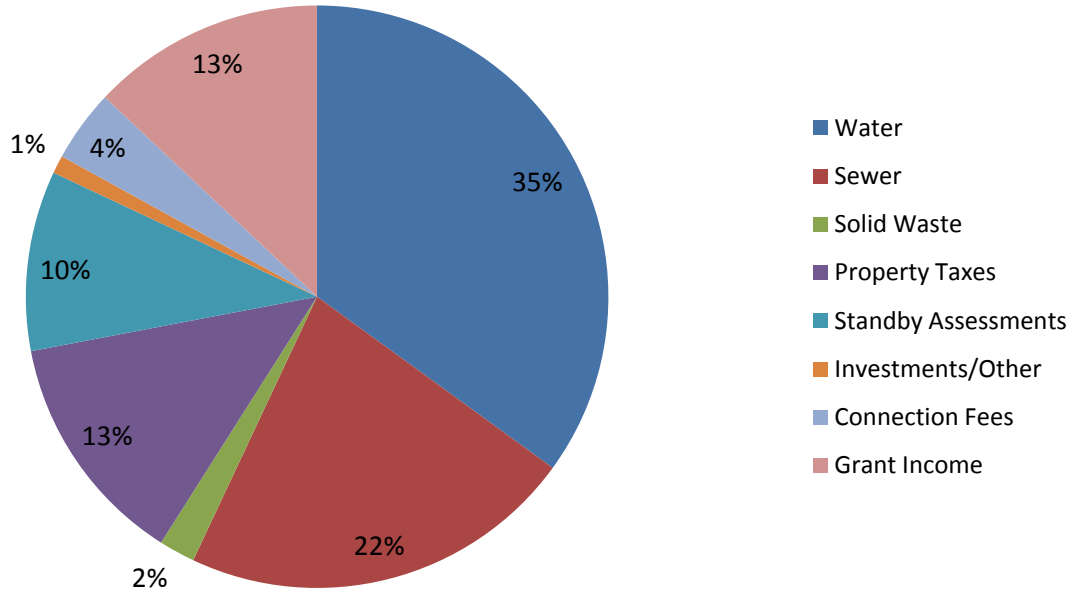
HERITAGE RANCH COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2017

Table 2 Enterprise Activities
Revenues, Expenses and Change in Net Assets

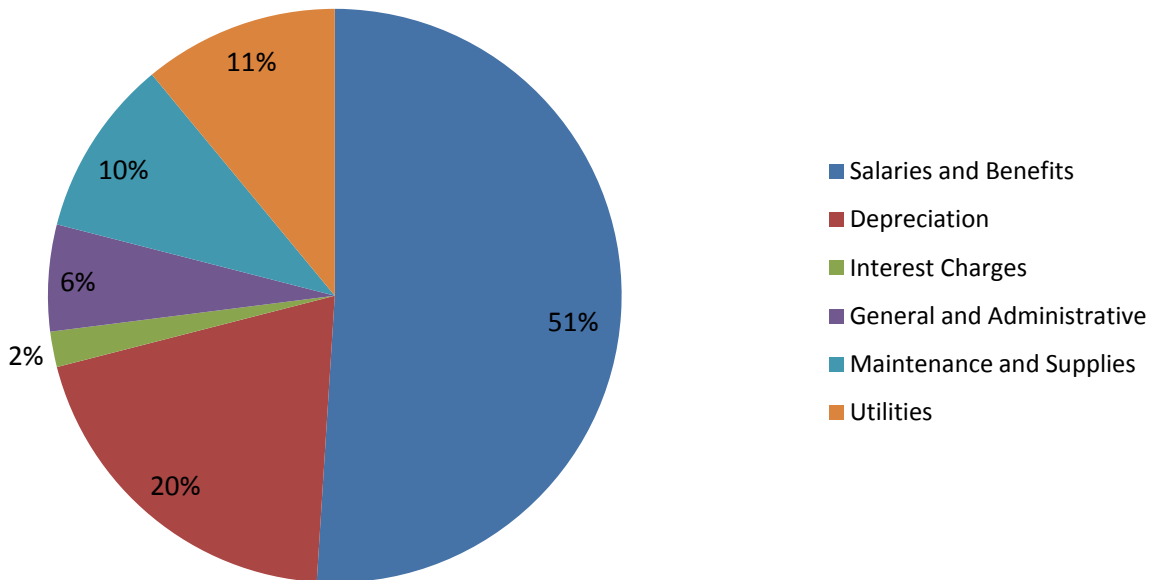
	FYE 2016	FYE 2017	% Change
Operating Revenues			
Water fund	\$802,275	\$833,261	3.86%
Sewer fund	527,366	534,973	1.44%
General fund	14,946	484	(96.76%)
Total operating revenues	1,344,587	1,368,718	1.79%
Non-Operating Revenues			
Water fund	303,041	331,930	9.53%
Sewer fund	138,490	137,838	(0.47%)
Franchise fees	36,173	42,097	16.38%
General fund	51,889	52,656	1.48%
Grant income	0	317,465	
Total non-operating revenues	529,593	881,986	66.54%
Capital Contributions			
Capital contributions all funds	0	0	
Connection fees water & sewer funds	\$94,783	\$85,007	(10.31%)
Total capital contributions	\$94,783	\$85,007	(10.31%)
Operating Expenses			
Water fund	1,077,748	1,156,904	7.34%
Sewer fund	517,529	587,301	13.48%
General fund	532,649	712,420	33.75%
Total expenses	2,127,926	2,456,625	15.45%
Increase (decrease) in net assets	(158,963)	(120,914)	
Total net assets—beginning	\$7,539,513	\$7,380,550	(2.11%)
Total net assets – end	\$7,380,550	\$7,259,636	(1.64%)

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2017

Revenues



Expenses



HERITAGE RANCH COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2017

Capital Assets and Debt Administration

At the end of fiscal year 2017, the District had invested \$7,221,519 in a broad range of capital assets, including land, equipment, buildings, and infrastructure net of depreciation. This amount represents a net decrease (including additions and deletions) of \$380,147 or 5% over last fiscal year.

Table 3 Capital Assets at June 30, 2017

	FYE 2016	FYE 2017	Percentage Change
Land	\$56,938	\$56,938	
Construction in progress	504,226	225,850	(55.21%)
Total non-depreciable	561,164	282,788	(49.61%)
Buildings	912,560	919,594	0.77%
Plants and facilities	13,383,727	13,388,553	0.04%
Vehicles and equipment	1,629,980	2,008,897	23.25%
Total depreciable	15,926,267	16,317,044	2.45%
Less accumulated depreciation	(8,885,765)	(9,378,313)	5.54%
Net capital assets	\$7,601,666	\$7,221,519	(5.00%)

The 2017 fiscal year included two major capital projects and equipment purchases and many other smaller projects and equipment purchases. The following is a summary of the major capital improvements and other District funded projects during the year:

- \$50,711 - Recycled Water Master Plan
- \$20,048 - Water and Sewer Rate Study
- \$22,004 - SCADA upgrades at Water Treatment Plant
- \$11,122 - Pressure Reducing Valve Rebuild

The District's fiscal year 2018 capital budget projects spending a total of \$30,000 for capital projects and equipment purchases. This is a very modest capital project budget due to limited revenues. The 2018 rate increase will fund capital projects pursuant to the Rate Increase Study and the approved Capital Improvement Plan. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

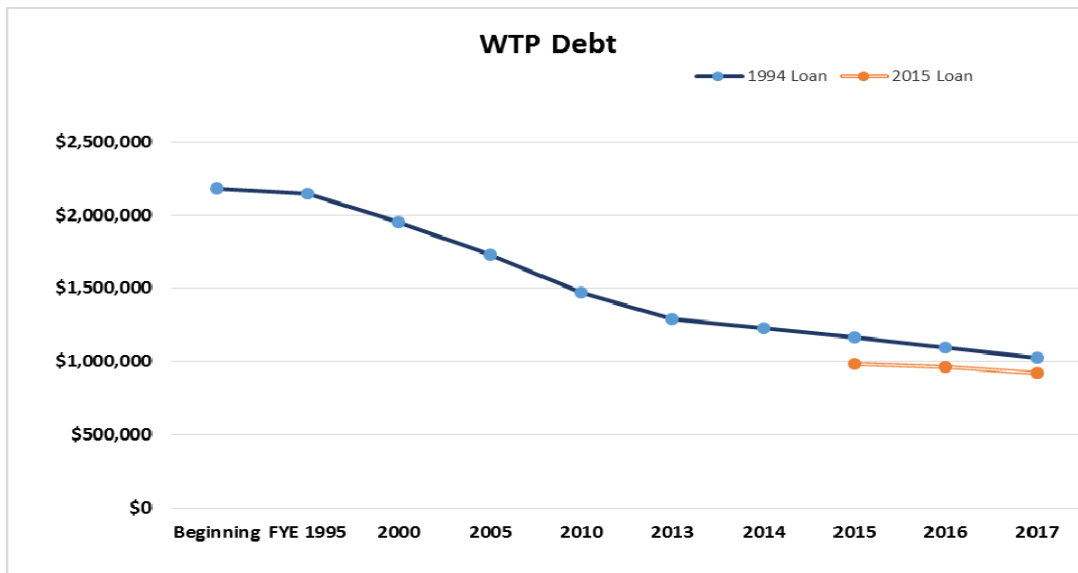
Fiscal Year Ending June 30, 2017

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, 2017, principal balance is \$1,027,208.

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, 2017, principal balance is \$921,788. More detailed information about the District's long-term liabilities is presented in Note 6 of the basic financial statements.

Figure 3 Water Treatment Plant Debt



Current Financial Issues and Concerns

The District is financially stable despite increasing costs, limited/reducing revenues, and new regulatory requirements. The District remains dependent on both property taxes and standby assessments to fund the water/sewer operations. Cost increases are projected for labor, utilities, maintenance, and supplies in future years. The District increased its water and sewer charges in fiscal year 2018 but must continue to look for ways to lower operating costs to meet future operating and capital fund stability. The District currently has \$3,804,923 in long-term principal and interest payments due on two water treatment plant construction and improvement loans. This debt must be closely monitored before further debt is incurred.

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.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

June 30, 2017

NAME

TERM EXPIRES

Reginald Cousineau, President

December, 2018

Martin Rowley, Vice President

December, 2018

Tony Foti, Director

December, 2020

Dan Burgess, Director

December, 2020

Bill Barker, Jr., Director

December, 2018

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

As of June 30, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,717,254
Taxes receivable	12,217
Accounts receivable	275,004
Interest receivable	5,265
Inventory	28,201
Total current assets	3,037,941
Noncurrent assets:	
<i>Investments:</i>	
Restricted cash and cash equivalents	112,392
<i>Capital assets:</i>	
Land and construction in progress	282,788
Property plant and equipment, net accumulated depreciation	6,938,731
Total noncurrent assets	7,333,911
Total assets	\$ 10,371,852
Deferred Outflows of Resources:	
Deferred pensions	\$ -
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 111,301
Accrued payroll expenses	26,587
Interest payable	8,182
Compensated absences	170,121
Note payable - current portion	114,003
Total current liabilities	430,194
Noncurrent liabilities:	
Net pension liability	757,076
Note payable - less current portion	1,834,993
Total noncurrent liabilities	2,592,069
Total liabilities	\$ 3,022,263
Deferred Inflows of Resources:	
Deferred pensions	\$ 89,953
NET POSITION	
Net investment in capital assets	\$ 5,272,523
Restricted for debt service	112,392
Restricted by resolution	1,874,721
Total net position	\$ 7,259,636

The accompanying notes are an integral part of these financial statements

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS As of June 30, 2017

Operating revenues:	
Charges for services	\$ 1,368,234
Miscellaneous	484
Total revenue	1,368,718
Operating expenses:	
Salaries and wages	686,124
Employee benefits and taxes	381,432
Publicity	3,477
Chemicals and gases	72,891
Engineering	46,420
Fuel and oil	11,632
Lab testing	22,658
Licenses and fees	30,437
Repairs and maintenance	72,685
Small tools and supplies	43,464
Uniforms and laundry	3,274
Alarm	3,030
Dues and publications	11,375
Insurance	19,609
Office expense	23,996
Professional services	33,373
Telephone and utilities	281,831
Training	5,285
Travel	4,550
Tax collection	5,787
Depreciation	492,548
Total operating expenses	2,255,878
Operating loss	(887,160)
Non-operating revenues (expenses):	
Taxes and assessments	315,073
Standby assessments	241,500
Franchise fees	42,097
Investment income	16,588
Annual required contributions for post employment benefits	(200,747)
Interest expense	(50,737)
Total non-operating revenues (expenses)	363,774
Income (loss) before grant income and capital contributions	(523,386)
Grant income	317,465
Capital contributions - connection fees	85,007
Change in net assets	(120,914)
Net position-beginning (as restated)	7,380,550
Net position-ending	\$ 7,259,636

The accompanying notes are an integral part of these financial statements

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

As of June 30, 2017

Cash flows from operating activities:	
Receipts from customers and users	\$ 1,405,148
Payments to suppliers	(1,261,616)
Payments to employees	(661,664)
Net cash used by operating activities	(317,385)
Cash flows from non-capital financing activities:	
Taxes and assessments	315,073
Standby assessments	241,500
Franchise fees	42,097
Nonoperating grants received	317,465
Net cash provided by non-capital and related financing activities	916,135
Cash flows from capital and related financing activities:	
Proceeds from capital debt	143,583
Principal paid on capital debt	(111,042)
Interest paid on capital debt	(50,737)
Acquisition of capital assets	(112,401)
Capital contributions	85,007
Other nonoperating capital activities	(200,747)
Net cash used by capital and related financing activities	(246,337)
Cash flows from investing activities:	
Investment income	16,588
Net cash provided by investing activities	16,588
Net change in cash and cash equivalents	369,001
Total cash and cash equivalents-beginning	2,460,645
Total cash and cash equivalents-ending	2,829,646
Less: Restricted cash and cash equivalents-ending	(112,392)
Total unrestricted cash and cash equivalents-ending	\$ 2,717,254
Reconciliation of operating income to net cash used by operating activities:	
Operating loss	\$ (887,160)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	492,548
Change in operating assets and liabilities	
Increase in taxes receivable	(2,879)
Decrease in accounts receivable	36,430
Increase in interest receivable	(2,282)
Increase in inventory	(2,478)
Increase in accounts payable	86,327
Increase in accrued payroll	8,169
Decrease in interest payable	(529)
Increase in compensated absences	16,291
Decrease in deposits	(61,822)
Net cash used by operating activities	\$ (317,385)

The accompanying notes are an integral part of these financial statements

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Heritage Ranch Community Services District (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 complies with U.S. Generally Accepted Accounting Principles (GAAP) and all relevant U.S. Governmental Accounting Standards Board (GASB) pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Reporting Entity

For financial reporting purposes, the District would include in this report all funds and account groups of all agencies and boards that are controlled by, or dependent upon, the District's legislative body. The criteria of control is determined on the basis of financial accountability, imposition of will, and financial benefit or burden.

There are no component units included in this report which meet the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

The District is a member of the Special District Risk Management Authority Joint Powers Agency, which was organized for the purpose of providing general liability, workers compensation, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member. This organization does not meet the aforementioned reporting entity criteria and therefore is not included in the accompanying financial statements.

Proprietary Fund Financial Statements

The accounts of the District are organized into proprietary/enterprise funds. Enterprise funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with an enterprise fund's activities are included on the balance sheet.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The enterprise funds of the District are accounted for using the accrual basis of accounting. Revenues, including user fees and service charges, are recognized when earned, and expenses are recognized when incurred.

Budgets and Budgetary Accounting

An annual budget is adopted by the Board of Directors at the start of each fiscal year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating Revenues and Expenses

Operating revenues, such as charges for services (water and wastewater fees) result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and investment income, result from non-exchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The District did not experience any significant bad debt losses and therefore a zero provision has been made for doubtful accounts. Accounts receivable is shown at full value.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid expenses.

Capital Assets

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.

Inventory

The inventories maintained by the water utility consist primarily of water pipe, valves, and fittings. Inventory is valued at cost, determined on a first-in, first-out basis.

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. Tax revenues are recognized by the District in the year levied.

Compensated Absences

Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the District. The amounts are included in current liabilities under accruals.

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.

Interfund Transactions

Transactions that constitute a reimbursement from one fund to another are recorded as an expense in the reimbursing fund and an expense reduction in the fund being reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year received.

Pensions

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

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year:

GASB Statement #68 – In June 2012, GASB issued Statement #68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement #27*. This Statement replaces the requirements of Statements #27 and #50 related to pension plans that are administered through trust or equivalent arrangements. The requirements of Statements #27 and #50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The District implemented this statement effective July 1, 2015.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: CASH AND CASH EQUIVALENTS

The value of cash and cash equivalents at June 30, 2017 is summarized as follows:

Cash on hand and in banks	\$	543,354
Cash and investments with the Local Agency Investment Fund (LAIF)		2,286,292
Total cash and cash equivalents	\$	2,829,646

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

- Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 - uncollateralized.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

At June 30, 2017, the carrying amount of the District's cash deposits was \$543,354. The bank's balance was \$556,187. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2017, are as follows:

		<u>Category</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>		<u>Balance</u>	<u>Amount</u>
Bank accounts	\$ <u>556,187</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$	<u>556,187</u>	\$ <u>543,354</u>

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: INVESTMENTS

Investments Authorized by the District's Investment Policy

The District is authorized to invest in the following institutions:

1. County pooled funds (California Government Code Section 61730)
2. The Local Agency Investment Fund (LAIF) created by the California State Treasury (California Government Code Section 16429.1)
3. One or more FDIC insurance banks and/or savings and loan associations that are designated as District depositories by resolution of the Board of Directors (California Government Code Section 61737.02)
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

The District's investment policy does contain specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee and governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
Money Market Mutual Funds	N/A

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the 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. The weighted average maturity of the investment contained in the LAIF investment pool is approximately 9 months.

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

		<u>Maturity Date</u>
State investment pool	\$ <u>2,286,292</u>	9 months average maturity

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: INVESTMENTS (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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 entity'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 costs basis.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

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 California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgages notes having a value of 150% of the secured public deposits.

The custodial 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 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 local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: INVESTMENTS (continued)

Concentration of Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. As of June 30, 2017, the District's deposit portfolio with government agencies, LAIF, was 100%.

NOTE 4: PROPERTY, PLANT, EQUIPMENT AND CONSTRUCTION IN PROGRESS

A summary of capital assets by major classifications is as follows:

	June 30, <u>2016</u>	<u>Additions</u>	<u>(Deletions)</u>	June 30, <u>2017</u>
<u>Non-depreciable:</u>				
Land	\$ 56,938	\$ -	\$ -	\$ 56,938
Construction in progress	<u>504,226</u>	<u>59,335</u>	<u>(337,711)</u>	<u>225,850</u>
Total non-depreciable	<u>561,164</u>	<u>59,335</u>	<u>(337,711)</u>	<u>282,788</u>
<u>Depreciable:</u>				
Buildings and structures	912,560	7,034		919,594
Plant and facilities	13,383,727	4,826		13,388,553
Vehicles and equipment	<u>1,629,980</u>	<u>378,917</u>		<u>2,008,897</u>
Total depreciable	15,926,267	390,777		16,317,044
Accumulated depreciation	<u>(8,885,765)</u>	<u>(492,548)</u>		<u>(9,378,313)</u>
Net depreciable assets	<u>7,040,502</u>	<u>(101,771)</u>		<u>6,938,731</u>
Net capital assets	\$ <u>7,601,666</u>	\$ <u>(42,436)</u>	\$ <u>(337,711)</u>	\$ <u>7,221,519</u>

Depreciation expense for the period ended June 30, 2017 was \$492,548.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: RESTRICTED ASSETS

Certain proceeds of the enterprise funds are classified as restricted on the statement of net position because their uses are limited. For the fiscal year ended June 30, 2017, the following amounts are restricted:

Cash with fiscal agent	\$	112,392
Restricted by enabling legislation		<u>2,717,254</u>
 Total restricted	 \$	 <u><u>2,829,646</u></u>

The monies with the fiscal agent are limited by the note payable agreement with the Department of Water Resources. The additional amounts were restricted by resolution.

NOTE 6: LONG-TERM DEBT

Long term debt consisted of the following:

The District obtained a \$2,179,398 loan 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 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.

	<u>Balance at June 30, 2016</u>	<u>Balance at June 30, 2017</u>
	1,096,607	1,027,208

The District obtained a \$984,090 loan from the State of California – State Water Resources Control Board in 2015, for the District’s plant construction and modification. The loan is payable over 20 years and bears interest at 1.788% annually. The District will begin making semi-annual principal and interest payments of \$29,370 starting January 1, 2017.

	<u>963,431</u>	<u>921,788</u>
Total long-term debt	2,060,038	1,948,996
Less current maturities	<u>90,158</u>	<u>114,003</u>
Total long-term maturities	<u>\$ 1,969,930</u>	<u>\$ 1,834,993</u>

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: LONG-TERM DEBT (continued)

The aggregate maturities of long term debts are as follows:

<u>Fiscal year ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt service</u>
2018	\$ 114,003	\$ 48,366	\$ 162,369
2019	117,057	45,312	162,369
2020	120,142	42,227	162,369
2021	123,478	38,690	162,168
2022	126,750	13,156	139,906
2023-2027	687,021	138,678	825,699
2028-2032	462,144	47,417	509,561
2033-2036	<u>198,401</u>	<u>9,173</u>	<u>207,574</u>
Total	\$ <u>1,948,996</u>	\$ <u>383,019</u>	\$ <u>2,332,015</u>

NOTE 7: NET POSITION

The business-type activity fund financial statements utilize a net position presentation. Net position is categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net assets of the District, not restricted for any project or other purpose.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government code Sections 6500 et.seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program period July 1, 2016 through June 30, 2017.

General and Auto Liability, Public Officials' and Employees' Errors, Employment Practices Liability and Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201617. This covers \$2,500,000 per occurrence, subject to policy deductibles.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 201617. This policy includes a \$400,000 Public Employees Dishonesty Blanket Coverage.

Property Loss: Special District Risk Management Authority, coverage number PPC SDRMA 201617. This policy covers the replacement cost for property on file, \$1 billion per occurrence.

Boiler and Machinery: Special District Risk Management Authority, coverage number BMC SDRMA 201617. This covers \$100,000,000 per occurrence, subject to a \$1,000 deductible. The District also participated in the elective comprehension/collision coverage on selected vehicles, subject to policy deductibles.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 201617. \$500,000 per occurrence, annual aggregate per each elected/appointed official.

Uninsured/Underinsured Motorists: Special District Risk Management Authority, coverage number UMI SDRMA 201617. This covers \$1,000,000 for each accident.

Workers' Compensation: Special District Risk Management Authority, coverage number WCP SDRMA 201617. The policy covers \$5,000,000 per occurrence.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: JOINT POWERS AUTHORITY (continued)

Members are subject to dividends and/or assessments, in accordance with Second Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied.

The annual member contribution was \$19,609 for the Package Program and \$18,109 for the worker's compensation program. Members are subject to dividends and/or assessments, in accordance with Fourth Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied. Presently, there are no known refunds or credits due to the District. There has been no reduction in insurance coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

Condensed financial information for S.D.R.M.A. for the most recent year available is as follows:

	<u>June 30, 2017</u>
Total assets	\$ 111,852,055
Deferred outflows of pensions	637,936
Total liabilities	(62,077,098)
Deferred inflows of pensions	<u>(171,678)</u>
Total net position	<u>\$ 50,241,215</u>
Total revenues	\$ 65,314,124
Total operating expenses	(67,407,021)
Total non-operating income	<u>190,728</u>
Change in net position	<u>\$ (1,902,169)</u>

Complete audited financial statements on the S.D.R.M.A. are on file with the general manager of the District.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions - All qualified regular and introductory employees of the District participate in a cost-sharing multiple employer defined benefit pension plans, administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government 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 non-duty 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. New members employed after January 1, 2013 are designated as PEPRA Miscellaneous and are subject to the provisions of California Government Code 7522 et seq. and AB 197. All other members employed prior to January 1, 2013 are designated as Miscellaneous First Tier Plan or Miscellaneous Second Tier Plan.

Contributions - Section 208149(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017, depending on the plan, the active employee contribution rate ranges between 6.25% and 8.00% of annual pay, and the employer's contribution rate ranges between 6.533% and 10.069% of annual payroll.

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

As of June 30, 2017, the District reported net pension liabilities of \$757,076 for its proportionate shares of the net pension liability of the Plan.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2016 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 participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 was as follows:

		<u>Amount</u>
Proportion – June 30, 2015	\$	615,781
Proportion – June 30, 2016	\$	757,076

For the year ended June 30, 2017, the District recognized pension expense of \$93,706. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<u>Deferred Outflows for Resources</u>		<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$	0	\$	0
Differences between actual and expected experience		0		87,953
Change in employer's proportion and differences between the employer's contributions and employer's proportionate share of contributions		0		0
Total	\$	<u>0</u>	\$	<u>87,953</u>

\$0 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>		<u>Deferred Outflows/(Inflows) for Resources</u>
2018	\$	(54,075)
2019		(33,878)
2020		(0)

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)

C. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 total pension liability were based on the following actuarial assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB Statement #68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administration Expenses; Includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates.

D. Discount Rate

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

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

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

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1- 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65% or 1% point higher (8.65%) than the current rate

<u></u>	<u>Discount Rate 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate 1% (8.65%)</u>
Plans' Net Pension Liability/(Asset)	\$ <u>1,179,511</u>	\$ <u>757,076</u>	\$ <u>407,959</u>

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)

F. Post-employment Benefits

In addition to pension benefits, the District provides post-retirement health care benefits through the California Public Employees' Retirement System. Employees who retire on or after attaining age 50 and are vested, are eligible for District paid health insurance.

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%.

On July 1, 2015, the District conducted an actuarial valuation based on the Alternative Measurement Method to determine the required funding for this health care benefits program.

The actuarial accrued liability for the District's retiree health benefits program on this measurement date was determined to be \$1,112,465. This value is based on a discount rate of 7.28% and an inflation rate of 2.75%. The District's funding policy is to fund 100% of the annual required contribution determined through the California Employers' Retiree Benefit Trust (CERBT). Based on this valuation, the District contributed \$50,373 to an irrevocable trust to meet the current obligations of this program, of which \$57,164 is still owed to fully fund the annual liability through June 30, 2017. Currently, four retired employees and their dependents are receiving 100% paid health care benefits totaling \$3,947 per month.

Below are the required disclosures for this plan:

Number of active participants		12
Employer's actuarially required contributions	\$	84,736
Employer's actual contributions	\$	50,373
Actuarial Accrued Liability(AAL)	\$	1,112,465
Actuarial Valuation of Assets(AVA)	\$	279,760
Unfunded Actuarial Accrued Liability(UAAL)=(AAL less AVL)	\$	832,705
Funded Ratio(AVA/AAL)		25%
Estimated Payroll	\$	600,300
UAAL as a Percentage of Covered Payroll		138.7%

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 10: SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2017, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through November 6, 2017, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS For the Year Ended June 30, 2017

OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability (UAAL) to payroll for the District's OPEB plan.

FUNDED PROGRESS OF THE OPEB PLAN

<u>Actuarial Valuation Date</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets) (UAAL)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
7/1/2015	\$ 1,112,465	\$ 279,760	\$ 832,705	25%	\$ 600,300	138.7%
7/1/2013	\$ 1,321,029	\$ 224,197	\$ 1,096,832	17%	\$ 575,000	190.8%
7/1/2011	\$ 1,013,658	\$ 133,768	\$ 879,890	13%	\$ 598,600	147.0%
2/24/2010	\$ 657,360	\$ -	\$ 657,360	0%	\$ 564,000	116.6%

The schedule of employer contributions below shows the recent history of the OPEB annual required actuarial contributions and the percentage actually contributed to the District's OPEB plan.

EMPLOYER CONTRIBUTIONS TO THE OPEB PLAN

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2017	\$ 84,736	59.4%
2016	\$ 84,366	73.0%
2015	\$ 89,669	100.0%
2014	\$ 89,422	100.0%
2013	\$ 85,140	108.0%

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
LAST TEN YEARS*
As of June 30, 2017

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Proportion of the net pension liability	0.024051%	0.024900%
Proportionate share of the net pension liability	\$615,781	\$757,076
Covered- employee payroll	\$627,829	\$679,774
Proportionate Share of the net pension liability as percentage of covered-employee payroll	98.08%	111.37%
Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	80.5%	78.1%
Proportionate Share of Aggregate Employer Contributions	\$93,706	\$99,444

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes in assumptions: None

* Fiscal year 2017 was the 2nd year of implementation, therefore only two years are shown. Additional years will be presented as they become available.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS*
As of June 30, 2017

	<u>2014 – 2015</u>	<u>2015 – 2016</u>
Actuarially determined contributions	\$ 93,706	\$ 99,444
Contributions in relation to the actuarially determined contributions	(93,706)	(99,444)
Contribution deficiency (excess)	\$ -0-	\$ -0-
Covered- employee payroll	\$ 627,829	\$ 679,774

Contributions as a percentage of covered-employee payroll	14.9%	14.6%
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Notes to Schedule:

Valuation date:	6/30/2014	6/30/2015
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.65% net of pension plan investment expense, including inflation

* Fiscal year 2017 was the 2nd year of implementation, therefore only two years are shown. Additional years will be presented as they become available.

SUPPLEMENTAL INFORMATION

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2017

	Business Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	General Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,098,381	\$ 1,555,204	\$ 63,669	\$ -	\$ 2,717,254
Taxes receivable	8,278	3,011		928	12,217
Accounts receivable	231,016	43,988			275,004
Interest receivable	4,001	1,264			5,265
Inventory	28,201				28,201
Total current assets	1,369,877	1,603,467	63,669	928	3,037,941
Noncurrent assets:					
Investments:					
Restricted cash	112,392				112,392
Capital assets:					
Land and construction in progress	83,887	198,901			282,788
Property plant and equipment, net accumulated depreciation	5,388,674	1,437,190		112,867	6,938,731
Total noncurrent assets	5,584,953	1,636,091	-	112,867	7,333,911
Total assets	\$ 6,954,830	\$ 3,239,558	\$ 63,669	\$ 113,795	\$ 10,371,852
Deferred Outflows of Resources:					
Deferred pensions	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 33,271	\$ 16,016	\$ -	\$ 62,014	\$ 111,301
Accrued payroll expenses	8,544	5,695		12,348	26,587
Interest payable	8,182				8,182
Compensated absences	54,225	36,150		79,746	170,121
Deposits					-
Notes payable - current portion	114,003				114,003
Total current liabilities	218,225	57,861	-	154,108	430,194
Long-term liabilities					
Net pension liability	302,830	166,557		287,689	757,076
Notes payable, less current portion	1,834,993				1,834,993
Total noncurrent liabilities	2,137,823	166,557	-	287,689	2,592,069
Total liabilities	\$ 2,356,048	\$ 224,418	\$ -	\$ 441,797	\$ 3,022,263
Deferred Inflows of Resources:					
Deferred pensions	\$ 35,981	\$ 19,790		\$ 34,182	\$ 89,953
NET POSITION					
Net investment in capital assets	3,523,565	1,636,091	-	112,867	5,272,523
Restricted for debt service	112,392				112,392
Restricted by resolution	926,844	1,359,259	63,669	(475,051)	1,874,721
Total net position	\$ 4,562,801	\$ 2,995,350	\$ 63,669	\$ (362,184)	\$ 7,259,636

See Auditor's Report

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
As of June 30, 2017

	Business Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Solid Waste Fund	General Fund	Totals
Operating revenues:					
Utility sales	\$ 822,455	\$ 531,899	\$ -	\$ -	\$ 1,354,354
Turn-on fees	2,731	1,604			4,335
Hook-up fees	8,075	1,470			9,545
Late charges and miscellaneous				484	484
Total operating revenues	833,261	534,973	-	484	1,368,718
Operating expenses:					
Salaries and wages	242,098	167,519		276,507	686,124
Employee benefits and taxes	138,259	65,932		177,241	381,432
Publicity				3,477	3,477
Chemicals and gases	58,662	14,229			72,891
Engineering	28,750	17,670			46,420
Fuel and oil	6,866	4,766			11,632
Lab testing	9,242	13,416			22,658
Licenses and fees	12,772	7,836		9,829	30,437
Repairs and maintenance	47,561	23,303		1,821	72,685
Small tools and supplies	14,096	5,289		24,079	43,464
Uniforms and laundry	2,292	982			3,274
Alarm	1,000			2,030	3,030
Dues and publications	3,299	1,592		6,484	11,375
Insurance	8,236	6,079		5,294	19,609
Office expense				23,996	23,996
Professional services	1,840	4,141		27,392	33,373
Telephone and utilities	189,650	81,286		10,895	281,831
Training	992	992		3,301	5,285
Travel				4,550	4,550
Tax collections				5,787	5,787
Depreciation	333,856	140,680		18,012	492,548
Total operating expenses	1,099,471	555,712	-	600,695	2,255,878
Operating income (loss)	(266,210)	(20,739)	-	(600,211)	(887,160)

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
As of June 30, 2017

Business Type Activities - Enterprise Funds					
	Water Fund	Sewer Fund	Solid Waste Fund	General Fund	Totals
Non operating revenues (expenses):					
Taxes and assessments	169,584	92,833		52,656	315,073
Standby assessments	200,445	41,055			241,500
Franchise fees			42,097		42,097
Investment income	12,638	3,950			16,588
Interest expense	(50,737)				(50,737)
Annual required contributions for post employment benefits	(57,433)	(31,589)		(111,725)	(200,747)
Operating transfers in (out)	(253,907)	(184,660)	(81,184)	519,751	-
Total non operating revenues (expenses)	20,590	(78,411)	(39,087)	460,682	363,774
Income (loss) before contributions	(245,620)	(99,150)	(39,087)	(139,529)	(523,386)
Grant income	242,465	75,000			317,465
Capital contributions - connection fees	37,196	47,811			85,007
Net income (loss)	34,041	23,661	(39,087)	(139,529)	(120,914)
Fund equity-beginning balance	4,528,761	2,971,688	102,756	(222,655)	7,380,550
Fund equity-ending balance	\$ 4,562,802	\$ 2,995,349	\$ 63,669	\$ (362,184)	\$ 7,259,636

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
As of June 30, 2017

Business Type Activities - Enterprise Funds					
	Water Fund	Sewer Fund	Solid Waste Fund	General Fund	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 870,258	\$ 534,406	\$ -	\$ 484	\$ 1,405,148
Payments to suppliers	(541,725)	(273,409)	(275)	(245,460)	(1,060,869)
Payments to employees	(236,849)	(156,646)		(268,169)	(661,664)
Net cash provided (used) by operating activities	91,684	104,351	(275)	(513,145)	(317,385)
Cash flows from non-capital and related financing activities:					
Taxes and assessments	169,584	92,833		52,656	315,073
Standby assessments	200,445	41,055			241,500
Franchise fees			42,097		42,097
Nonoperating grants received	242,465	75,000			317,465
Net transfer (to) from other funds	(253,907)	(184,660)	(81,184)	519,751	-
Net cash provided (used) by non-capital and related financing activities	358,587	24,228	(39,087)	572,407	916,135
Cash flows from capital and related financing activities:					
Proceeds from capital debt	57,432	31,590		54,561	143,583
Principal paid on capital debt	(111,042)				(111,042)
Interest paid on capital debt	(50,737)				(50,737)
Acquisition of capital assets	(40,943)	(69,360)		(2,098)	(112,401)
Grants and capital contributions	37,196	47,811			85,007
Other nonoperating capital activities	(57,433)	(31,589)		(111,725)	(200,747)
Net cash provided (used) by capital and related financing activities	(165,527)	(21,548)	-	(59,262)	(246,337)
Cash flows from investing activities:					
Investment income	12,638	3,950			16,588
Net cash provided by investing activities	12,638	3,950	-	-	16,588
Net increase (decrease) in cash and cash equivalents	297,382	110,981	(39,362)	-	369,001
Cash and cash equivalents - beginning	913,391	1,444,223	103,031	-	2,460,645
Cash and cash equivalents - ending	\$ 1,210,773	\$ 1,555,204	\$ 63,669	\$ -	\$ 2,829,646
Reconciliation to balance sheet					
Cash and cash equivalents	\$ 1,098,381	\$ 1,555,204	\$ 63,669	\$ -	\$ 2,717,254
Restricted cash and investment	112,392				112,392
	\$ 1,210,773	\$ 1,555,204	\$ 63,669	\$ -	\$ 2,829,646

See Auditor's Report

HERITAGE RANCH COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
As of June 30, 2017

Business Type Activities - Enterprise Funds					
	Water Fund	Sewer Fund	Solid Waste Fund	General Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (266,210)	\$ (20,739)	\$ -	\$ (600,211)	\$ (887,160)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	333,856	140,680	-	18,012	492,548
Change in operating assets and liabilities:					
Increase in taxes receivable	(1,950)	(710)		(219)	(2,879)
(Increase) decrease in accounts receivable	36,997	(567)			36,430
Increase in interest receivable	(1,734)	(548)			(2,282)
Increase in inventory	(2,478)				(2,478)
Increase (decrease) in accounts payable	29,068	(3,401)	(275)	60,935	86,327
Increase in accrued payroll	1,498	1,901		4,770	8,169
Decrease in interest payable	(529)				(529)
Increase in compensated absences	3,751	8,972		3,568	16,291
Decrease in deposits	(40,585)	(21,237)			(61,822)
Net cash provided (used) by operating activities	\$ 91,684	\$ 104,351	\$ (275)	\$ (513,145)	\$ (317,385)



**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS' REGULAR MEETING**
Minutes of November 16, 2017

1. 4:00 PM OPEN SESSION / FLAG SALUTE / ROLL CALL

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

Secretary Gelos called the role. Director Capps was absent. All other Directors were present.

Staff present: General Manager Scott Duffield, Office Supervisor Kristen Gelos and Operations Manager/Assistant General Manager Jason Molinari.

2. PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA

Mr. Dan Lloyd, a developer, gave a brief presentation of two developments he is in the process of developing within Heritage Ranch.

3. CAMP ROBERTS – ARMY NATIONAL GUARD

No report given

4. DISCUSSION ITEMS

A. Request to approve the notice to property owners regarding a solid waste service fees increase, and schedule a public hearing for January 18, 2018, for adoption of the adjusted solid waste service fees: Manager Duffield gave a brief summary of the item. Mr. Aaron Kardashian of San Miguel Garbage provided a summary of the fee increase.

Director Barker made a motion to approve the notice to property owners regarding a solid waste service fees increase and schedule a public hearing for January 18, 2018. Director Burgess seconded the motion. The motion passed by a voice vote:

Ayes: Barker, Burgess, Cousineau, Rowley

Absent: Capps

B. Receive a President's Special Acknowledgement Award from the Special District Risk Management Authority: Manager Duffield provided a brief summary of the item. Director Barker asked that we publicly post this award to the local newspapers.

The report was received and filed.

5. CONSENT ITEMS

A. Regular Meeting Minutes: Receive/approve minutes of regular meeting of October 19, 2017.

B. Warrant Register: Receive/approve October 2017 warrants.

C. Treasurer's Report: Receive/file October 2017 report.

D. Quarterly Treasurer's Report: Receive/file FY2017/18 First Quarter report.

E. Annual Treasurer's Report: Receive/file FY2016/17 annual report.

F. Fiscal Report: Receive/file status report October 2017.

G. Manager's Report: Receive/file October 2017 report.

H. Staff Reports: Receive/file October 2017 reports.

Director Barker pulled items G & H (Manager and Staff Reports). Director Barker made a motion to approve items A, B, C, D, E & F as presented. Director Burgess seconded the motion. The motion passed by a voice vote:

Ayes: Barker, Burgess, Cousineau, Rowley
Absent: Capps

Manager Duffield provided a summary of the Manager's report and answered any questions the Board had. Operations Manager/Assistant General Manager Molinari provided a summary of the Operations Report and answered any questions the Board had.

Director Barker made a motion to approve items G & H as presented. Director Burgess seconded the motion. The motion passed by a voice vote:

Ayes: Barker, Burgess, Cousineau, Rowley
Absent: Capps

6. DIRECTORS/MANAGER COMMENTS

No comments.

7. ADJOURNMENT

On a motion by Director Burgess and seconded by Director Barker, the meeting adjourned at 5:12 pm to the next scheduled meeting on Thursday, December 21, 2017 at 4:00 pm.

APPROVED:

Reginald Cousineau, Board President

ATTEST:

Kristen Gelos, Board Secretary

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
NOVEMBER 2017 WARRANT REGISTER**

PACIFIC PREMIER BANK WARRANTS

DATE	NAME OF PAYEE	DESCRIPTION	AMOUNT
11/03/2017	CITISTREET-ATTN: CALPERS 458	PERS 457- DEFFERED COMP.	\$ 595.00
11/03/2017	CALPERS RETIREMENT SYSTEM	PERS RETIREMENT	\$ 3,179.99
11/03/2017	CALPERS RETIREMENT SYSTEM	PERS RETIREMENT TIER 2	\$ 711.57
11/03/2017	CALPERS RETIREMENT SYSTEM	SURVIVOR BENEFIT	\$ 6.51
11/03/2017	CALPERS HEALTH BENEFITS	EMPLOYEE HEALTH BENEFIT	\$ 446.57
11/03/2017	CALPERS HEALTH BENEFITS	EMPLOYEE HEALTH BENEFIT	\$ 446.57
11/03/2017	CALPERS HEALTH BENEFITS	CALPERS HEALTH BENEFITS	\$ 13,573.32
11/03/2017	CALPERS HEALTH BENEFITS	EMPLOYEE HEALTH BENEFIT	\$ 184.72
11/07/2017	GREAT WESTERN ALARM	ALARM/ANSWERING SERVICE	\$ 287.50
11/07/2017	ADAMSKI, MOROSKI, MADDEN & GREEN	LEGAL & ATTORNEY	\$ 840.50
11/07/2017	CRYSTAL SPRINGS WATER	LAB TESTING	\$ 1.99
11/07/2017	JOHN D'ORNELLAS	CONSULTING	\$ 256.50
11/07/2017	KRITZ EXCAVATING & TRUCKING	SUPPLIES	\$ 1,566.61
11/07/2017	BRENNTAG PACIFIC, INC	CHEMICALS	\$ 4,408.66
11/07/2017	BRENNTAG PACIFIC, INC	CHEMICALS	\$ 2,259.25
11/07/2017	FGL ENVIRONMENTAL	LAB TESTING	\$ 100.00
11/07/2017	ROY ARNOLD	HEALTH BENEFITS	\$ 236.70
11/07/2017	NAPA AUTO PARTS	VEHICLES	\$ 114.89
11/07/2017	U.S. BANK	MAINTENANCE FIXED EQUIPMENT	\$ (210.00)
11/07/2017	U.S. BANK	ADVERTISING	\$ 15.00
11/07/2017	U.S. BANK	COMPUTER/SOFTWARE	\$ 240.00
11/07/2017	U.S. BANK	TRAINING & TRAVEL	\$ 469.36
11/07/2017	U.S. BANK	MAINTENANCE FIXED EQUIPMENT	\$ 3,026.67
11/07/2017	U.S. BANK	SUPPLIES	\$ 57.60
11/07/2017	U.S. BANK	VEHICLES	\$ 49.75
11/07/2017	U.S. BANK	VEHICLES	\$ 49.75
11/07/2017	U.S. BANK	VEHICLES	\$ 99.50
11/07/2017	U.S. BANK	PARKS & REC	\$ 237.99
11/07/2017	U.S. BANK	VEHICLES	\$ 41.75
11/07/2017	PITNEY BOWES	POSTAGE/FOLDING MACHINE LEASE	\$ 1,158.42
11/07/2017	LOWE'S	SUPPLIES/SMALL TOOLS & EQUIP.	\$ 331.54
11/07/2017	DATA PROSE LLC	SEPTEMBER BILLING	\$ 1,073.77
11/07/2017	FLUID SCREEN PRINTING	UNIFORMS	\$ 118.80
11/07/2017	STATE WATER RESOURCES CONTROL	LICENSES & PERMITS	\$ 105.00
11/07/2017	KONG NOMANY	FINAL ACCT. CREDIT	\$ 25.98
11/10/2017	R. BRINK	NET PAYROLL	\$ 1,855.98
11/10/2017	H. SPEER	NET PAYROLL	\$ 1,926.92
11/10/2017	J. MOLINARI	NET PAYROLL	\$ 2,557.18
11/10/2017	R. ARNOLD	NET PAYROLL	\$ 2,210.31
11/10/2017	J. PRITCHETT	NET PAYROLL	\$ 2,073.21
11/10/2017	K. GELOS	NET PAYROLL	\$ 2,016.82
11/10/2017	S. DUFFIELD	NET PAYROLL	\$ 3,176.38
11/13/2017	PG&E	ELECTRICITY	\$ 22,103.37

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
NOVEMBER 2017 WARRANT REGISTER**

DATE	NAME OF PAYEE	DESCRIPTION	AMOUNT
11/14/2017	INTERNAL REVENUE SERVICE	FEDERAL WITHHOLDING TAXES	\$ 2,704.04
11/14/2017	INTERNAL REVENUE SERVICE	MEDICARE	\$ 666.44
11/14/2017	EMPLOYMENT DEVELOPMENT DEPARTMISDI		\$ 206.83
11/14/2017	EMPLOYMENT DEVELOPMENT DEPARTMISTATE WITHHOLDING		\$ 843.82
11/16/2017	J.B. DEWAR. INC.	FUEL & OIL	\$ 413.00
11/17/2017	CITISTREET-ATTN: CALPERS 457	PERS 457- DEFFERED COMP.	\$ 895.00
11/17/2017	CALPERS RETIREMENT SYSTEM	EMPLOYER'S CONTRIBUTION	\$ 22.64
11/17/2017	CALPERS RETIREMENT SYSTEM	PERS RETIREMENT	\$ 3,179.99
11/17/2017	CALPERS RETIREMENT SYSTEM	PERS RETIREMENT TIER 2	\$ 711.57
11/17/2017	CALPERS RETIREMENT SYSTEM	SURVIVOR BENEFIT	\$ 6.51
11/20/2017	AT&T	TELEPHONE/INTERNET	\$ 155.64
11/21/2017	PITNEY BOWES	POSTAGE	\$ 4.00
11/22/2017	CALPERS RETIREMENT SYSTEM	PERS RETIREMENT U/L	\$ 3,780.06
11/23/2017	CHARTER COMMUNICATIONS	INTERNET	\$ 79.99
11/24/2017	R. BRINK	NET PAYROLL	\$ 1,855.98
11/24/2017	H. SPEER	NET PAYROLL	\$ 1,933.78
11/24/2017	J. MOLINARI	NET PAYROLL	\$ 2,614.26
11/24/2017	R. ARNOLD	NET PAYROLL	\$ 1,984.77
11/24/2017	J. PRITCHETT	NET PAYROLL	\$ 2,168.40
11/24/2017	K. GELOS	NET PAYROLL	\$ 2,016.82
11/24/2017	D. BURGESS	NET PAYROLL	\$ 92.35
11/24/2017	B. BARKER	NET PAYROLL	\$ 92.35
11/24/2017	M. ROWLEY	NET PAYROLL	\$ 92.35
11/24/2017	R. COUSINEAU	NET PAYROLL	\$ 92.35
11/24/2017	S. DUFFIELD	NET PAYROLL	\$ 3,336.00
11/24/2017	D. CAPPS	NET PAYROLL	\$ 92.35
11/28/2017	INTERNAL REVENUE SERVICE	FEDERAL WITHHOLDING TAXES	\$ 2,768.15
11/28/2017	INTERNAL REVENUE SERVICE	FICA WITHIHOLDING	\$ 62.00
11/28/2017	INTERNAL REVENUE SERVICE	MEDICARE	\$ 685.88
11/28/2017	EMPLOYMENT DEVELOPMENT DEPARTMISDI		\$ 208.36
11/28/2017	EMPLOYMENT DEVELOPMENT DEPARTMISTATE WITHHOLDING		\$ 852.93
11/28/2017	FERGUSON ENTERPRISES INC #1350	MAINTENANCE FIXED EQUIPMENT	\$ 549.53
11/28/2017	FERGUSON ENTERPRISES INC #1350	MAINTENANCE FIXED EQUIPMENT	\$ 20.31
11/28/2017	WALLACE GROUP	CONSULTING/ENGINEERING	\$ 702.03
11/28/2017	RYAN BRINK	CELL PHONE/INTERNET ALLOWANCE	\$ 80.00
11/28/2017	THE TRIBUNE	ADVERTISING	\$ (58.08)
11/28/2017	THE TRIBUNE	ADVERTISING	\$ 540.00
11/28/2017	PRAXAIR DISTRIBUTION, INC.	SUPPLIES	\$ 57.33
11/28/2017	FGL ENVIRONMENTAL	LAB TESTING	\$ 117.00
11/28/2017	AIRFLOW FILTER SERVICE, INC.	FUEL & OIL	\$ 374.61
11/28/2017	AIRFLOW FILTER SERVICE, INC.	VEHICLES	\$ 59.31
11/28/2017	HEATHER SPEER	CELL PHONE/INTERNET ALLOWANCE	\$ 80.00
11/28/2017	STAR DRUG TESTING, INC	PROFESSIONAL SERVICES	\$ 80.00
11/28/2017	JASON MOLINARI	CELL PHONE/INTERNET ALLOWANCE	\$ 80.00
11/28/2017	COUNTY OF SAN LUIS OBISPO	LICENSES & PERMITS	\$ 359.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
NOVEMBER 2017 WARRANT REGISTER**

DATE	NAME OF PAYEE	DESCRIPTION	AMOUNT
11/28/2017	COUNTY OF SAN LUIS OBISPO	LICENSES & PERMITS	\$ 643.50
11/28/2017	ROY ARNOLD	CELL PHONE/INTERNET ALLOWANCE	\$ 80.00
11/28/2017	ROY ARNOLD	STRUCTURES & GROUNDS	\$ 150.00
11/28/2017	SAN LUIS OBISPO COUNTY	PLAN CHECK	\$ 697.86
11/28/2017	FLUID RESOURCE MANAGEMENT	CONSULTING/ENGINEERING	\$ 575.00
11/28/2017	ABALONE COAST ANALYTICAL, INC.	LAB TESTING	\$ 934.00
11/28/2017	JAMES A. PRITCHETT	CELL PHONE/INTERNET ALLOWANCE	\$ 80.00
11/28/2017	TUCKFIELD & ASSOCIATES	RATE STUDY	\$ 1,220.27
11/28/2017	MEASUREMENT SPECIALTIES, INC.	MAINTENANCE FIXED EQUIPMENT	\$ 925.57
11/28/2017	BURT INDUSTRIAL SUPPLY	VEHICLES/SUPPLIES	\$ 434.45
11/28/2017	TOUGH AUTOMATION	CONSULTING/ENGINEERING	\$ 2,400.00
11/28/2017	SCOTT DUFFIELD	CELL PHONE/INTERNET ALLOWANCE	\$ 40.00
11/29/2017	SAN MIGUEL GARBAGE	DELINQUENT SOLID WASTE FEES	\$ 201.50
11/29/2017	AT&T	TELEPHONE/INTERNET	\$ 258.86
GRAND TOTAL FOR ALL WARRANTS			<u>\$ 120,328.56</u>

**Heritage Ranch Community Services District
Treasurer's Report
November 2017**

SUMMARY REPORT OF ALL ACCOUNTS

Beginning Balance:	\$	2,802,728.24
Ending Balance:	\$	2,925,343.49
Difference:	\$	122,615.25
Interest Earnings for the Month Reported:	\$	4.70
Interest Earnings Fiscal Year-to-Date:	\$	12,037.90

ANALYSIS OF REVENUES

Interest earnings for the month for the Heritage Oaks account was \$4.70
Pacific Premier Reserve Account Interest was \$0.00
Total operating income for water and sewer was \$124,960
Franchise fees paid to the District by San Miguel Garbage Company totaled \$4,359
Late Fees collected were \$1,370
Turn-On Fees collected totaled \$125

ACH fees and merchant fees for utility credit card payments totaled \$251

ANALYSIS OF EXPENSES

Pacific Premier Bank total warrants and Electronic Fund Transfers totaled (\$176,482)

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
November 2017

BEGINNING BALANCE ALL ACCOUNTS **\$ 2,802,728.24**

OPERATING CASH IN DRAWER **\$300.00**

PACIFIC PREMIER BANK - CHECKING

BEGINNING BALANCE 10/31/2017	\$72,298.57	
DEPOSIT REVENUE & MISCELLANEOUS INCOME	\$249,092.96	
TOTAL CHECKS, FEES AND EFT'S	(\$176,482.41)	
INTEREST EARNED	\$4.70	
ENDING BALANCE 11/30/2017		\$144,913.82

PACIFIC PREMIER BANK DWR LOAN REPAYMENT (1994-2029):

LOAN SERVICES ACCOUNT

BEGINNING BALANCE 10/31/2017	\$33.70	
QUARTERLY DEPOSIT	\$0.00	
SEMI-ANNUAL PAYMENT	\$0.00	
INTEREST EARNED	\$0.00	
ENDING BALANCE 11/30/2017		\$33.70

PACIFIC PREMIER BANK DWR RESERVE ACCOUNT

BEGINNING BALANCE 10/31/2017	\$112,455.13	
INTEREST EARNED	\$0.00	
ENDING BALANCE 11/30/2017		\$112,455.13

BANK OF AMERICA

BEGINNING BALANCE 10/31/2017	\$0.00	
DEPOSIT REVENUE & TRANSFERS	\$0.00	
TOTAL CHECKS	\$0.00	
TRANSFER TO LAIF	\$0.00	
ENDING BALANCE 11/30/2017		\$0.00

LOCAL AGENCY INVESTMENT FUND (LAIF)

BEGINNING BALANCE 10/31/2017	\$2,603,245.40	
INTEREST EARNED	\$0.00	
TRANSFER FROM PACIFIC PREMIER CHECKING	\$50,000.00	
TRANSFER TO PACIFIC PREMIER CHECKING	\$0.00	
ENDING BALANCE 11/30/2017		\$2,653,245.40

PACIFIC PREMIER BANK SDWSRF LOAN SERVICES ACCOUNT

BEGINNING BALANCE 10/31/2017	\$14,695.44	
QUARTERLY DEPOSIT	\$0.00	
INTEREST EARNED	\$0.00	
SEMI-ANNUAL PAYMENT	\$0.00	
ENDING BALANCE 11/30/2017		\$14,695.44

ENDING BALANCE ALL ACCOUNTS		\$2,925,343.49
DIFFERENCE FROM LAST MONTH	Increase	\$122,615.25

HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET
2017/18 Budget

OPERATING INCOME	Fiscal Year 17/18	November 2017	Actual YTD Year to Date	Percentage Year to Date
Water Fees	850,000	77,930	432,665	51%
Sewer Fees	550,000	44,335	221,514	40%
Hook-Up Fees	3,700	1,200	5,939	161%
Turn on Fees	4,200	125	1,690	40%
Late Fees	16,500	1,370	7,586	46%
Plan Check & Inspection	10,000	0	0	0%
Miscellaneous Income	2,500	0	861	34%
TOTAL OPERATING INCOME	\$1,436,900	\$124,960	\$670,255	47%

FRANCHISE INCOME				
Solid Waste Franchise Fees	46,000	4,359	22,754	49%
TOTAL FRANCHISE REVENUE	\$46,000	\$4,359	\$22,754	49%

NON-OPERATING INCOME				
Standby Charges	243,550	43,972	63,785	26%
Property Tax	320,000	58,791	79,914	25%
Interest	15,000	5	12,038	80%
Connection Fees	23,165	13,850	55,055	238%
TOTAL NON-OPERATING INCOME	\$601,715	\$116,618	\$210,792	35%

RESERVE REVENUE				
Capital Reserves	29,927	1,220	27,685	93%
General Reserves	0	0	0	0%
TOTAL RESERVE REVENUE	\$29,927	\$1,220	\$27,685	93%

TOTAL ALL INCOME	\$2,114,542	\$247,157	\$931,487	44%
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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET
2017/18 Budget**

OPERATING EXPENSES

SALARIES AND BENEFITS	Fiscal Year 17/18	November 2017	Actual YTD Year to Date	Percentage Year to Date
Salaries	631,600	44,349	272,488	43%
Health Insurance	139,700	8,867	51,984	37%
Health Insurance - Retiree	63,000	4,943	23,282	37%
PERS	99,000	8,130	40,494	41%
Standby	12,500	948	4,938	40%
Overtime	11,500	585	2,513	22%
Workers Comp. Ins.	18,500	0	18,043	98%
Directors' Fees	6,500	500	2,650	41%
Medicare/FICA	9,700	707	4,280	44%
Car Allowance	4,200	250	1,250	30%
SUI/ETT	1,500	0	111	7%
Uniforms	3,700	119	2,435	66%
TOTAL SALARIES & BENEFITS	\$1,001,400	\$69,398	\$424,466	42%

UTILITIES

Electricity	219,300	22,103	117,080	53%
Propane	800	0	0	0%
Water Purchase	23,114	0	11,557	50%
Telephone/Internet	11,900	934	4,663	39%
TOTAL UTILITIES EXPENSE	\$255,114	\$23,038	\$133,300	52%

MAINTENANCE & SUPPLIES

Chemicals	75,000	6,668	22,721	30%
Computer/Software	14,000	240	828	6%
Equip. Rental/Lease	500	0	0	0%
Fixed Equip.	60,000	3,822	30,000	50%
Fuel & Oil	11,500	788	4,971	43%
Lab Testing	21,500	1,153	7,415	34%
Office Supplies	2,000	0	1,330	66%
Parks & Recreation	400	238	476	119%
Struct./Grnds.	4,500	150	5,378	120%
Small Tools/Equip.	2,500	182	1,381	55%
Supplies	5,000	1,869	4,455	89%
Meters/Equip.	4,500	-3,250	5,287	117%
Vehicles	7,500	811	3,418	46%
TOTAL MAINT. & SUPPLY EXPENSE	\$208,900	\$12,671	\$87,660	42%

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET
2017/18 Budget**

GENERAL & ADMINISTRATION	Fiscal Year 17/18	November 2017	Actual YTD Year to Date	Percentage Year to Date
Ads./Advertising	1,500	497	1,102	73%
Alarm/Answering Service	3,100	288	1,359	44%
Audit	6,000	0	0	0%
Bank Charges/Fees	1,500	251	799	53%
Consulting/Engineering	30,000	3,934	5,168	17%
Dues/Subscription	12,000	0	156	1%
Elections	0	0	0	0%
Insurance	21,250	1,949	9,745	46%
LAFCO	8,500	0	7,628	90%
Legal/Attorney	16,000	841	4,551	28%
Licenses/Permits	20,000	1,108	8,114	41%
Plan Check & Inspection	10,000	698	698	0%
Postage/Billing	20,000	2,236	9,087	45%
Professional Service	6,500	80	3,824	59%
Tax Collection	5,100	0	0	0%
Staff Training & Travel	3,800	469	1,474	39%
Board Training & Travel	1,500	0	412	27%
TOTAL G & A	\$166,750	\$12,350	\$54,115	32%

CAPITAL PROJECTS & EQUIPMENT

Structures/Improvements	29,927	1,220	27,685	93%
Equipment	0	0	0	0%
TOTAL CAPITAL EXPENSE	\$29,927	1,220	27,685	93%

DEBT

State Loan Payment	103,500	0	51,814	50%
State Loan Payment Phase II	65,250	0	0	0%
TOTAL DEBT	\$168,750	\$0	\$51,814	

FUNDED DEPRECIATION	\$288,000	\$24,000	\$120,000	42%
UNFUNDED DEPRECIATION	\$0	\$0	\$0	0%

TOTAL EXPENSE	\$2,118,841	\$142,677	\$899,041	42%
CONNECTION FEES TRANSFER	\$23,165	\$13,850	\$60,967	263%
SOLID WASTE FEES TRANSFER	\$8,616	\$2,360		
FUND TOTAL	(\$36,080)	\$88,271	(\$28,521)	

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

Manager Report For the Month of November and start of December 2017

State Audit of SLO County Grants

The California State Department of Finance is auditing the Proposition 84 and 1E grants awarded to the San Luis Obispo Flood Control and Water Conservation District over the past few years. The District's Emergency Turnout Pipeline Extension to WTP project was part of one of those grants. As part of the audit, the Department of Finance requested to see our completed project and speak with us about bidding, invoicing and other administrative items.

A representative from the Department of Finance visited our office and spoke with the Manager regarding our District in general, what services we provide, organizational structure, general terms of the grant, and the purpose and need for our project. The Office Supervisor was also interviewed regarding the staffing and roles, the invoicing process, and other administrative items. Last but not least, the Operations Manager/ Assistant General Manager provided a site tour.

The Department of Finance routinely completes these audits as part of the provisions in Propositions 84 and 1E. At the conclusion of the visit, their representative stated that he is very impressed with our organization, file management, and administrative processes and spoke very highly of staff. He is also very satisfied with his visit and acknowledged the great cost to benefit ratio of our project.

Electronic Waste Recycling

The Manager received a telephone call from Bill Worrell of the County Integrated Waste Management Authority (IWMA) regarding changes to the electronics waste element (e-waste) of the Household Hazardous Waste (HHW) program. We understand there have been changes with the company that operates the HHW facility which is located within our operations yard. As such, they will no longer be managing e-waste collection and transportation on site. The trailer previously used was offered to the District for free, but we would then have to transport full trailers to a designated site. We do not have resources to do that and the trailer was not worthy. I suggested the company could provide a roll-off container instead and then we would monitor the roll-off and call for them to pick it up when it is full.

The roll-off has been delivered and set up. However, the floor of the roll-off is in very poor condition and collecting *only* e-waste is always an issue. I have spoken with Bill Worrell on having the roll-off replaced at a minimum, but Bill will work with the contractor to take back management of the e-waste element. The main goal is to continue to prevent e-waste from being dumped in Heritage Ranch.

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Operations Report

November 2017

Water Treatment:

9.9 Million gallons of water was treated. Average reduction between raw water and treated water was 99.5%.

In water supply systems, water is normally maintained at a significant pressure to enable water to flow from the tap, shower, or other fixture. Water pressure may fail or be reduced when a water main bursts, pipes freeze, or there is unexpectedly high demand on the water system (for example, when several fire hydrants are opened). Reduced pressure in the pipe may allow contaminated water from the soil, from storage, or from other sources to be drawn up into the system.

To protect from backflow, backflow devices are installed on water services where there is a need to protect the water system from contamination. The District's water system currently has thirty-four individual backflow devices. These devices are installed on commercial buildings, irrigation lines, swimming pools, fire lines and sewer pump stations. Of the thirty-four devices, the District is responsible for nine. Backflow devices require annual testing to be performed by a certified, backflow tester. If a device fails, it must be repaired in a timely manner. Failure to have the annual test performed can result in the customer being disconnected from the water system. All of the District's devices passed with none needing to be repaired.

Staff has continued to work on chemical dosing to improve plate settler performance. Jar testing is used to simulate plant conditions and evaluate chemicals used. Jar testing is done by taking specific amounts of raw water and mixing with measured amounts of chemical. Mixing speeds and chemical contact time is duplicated as close as possible to actual treatment plant processes. The results are then evaluated based on settling and overall clarity of the water. The District's chemical supplier offers a service, free of charge, to perform on-site jar testing and evaluate the results. The challenges staff have been struggling with also proved challenging for the vendor. Dissolved minerals in the raw water make settling difficult. The vendor did find a chemical combination which provided better settling than the current chemicals in use. A sample of both chemicals is being sent to the District. Once received, staff will incorporate the chemicals into the treatment process and evaluate the results.

Wastewater Treatment:

3.08 Million gallons of wastewater was treated.

The results of the semi-annual sampling came back within limitations. The new permit became effective December 1. Under the new permit, the District is required to take semi-annual samples in January and July. The previous permit allowed a six month time frame to collect semi-annual samples rather than a specific month.