

AGENDA
NOTICE OF REGULAR MEETING

TIME: 5:30pm

DATE: October 17, 2024

Location: Quartz Hill Water District
5034 W Avenue L, Quartz Hill

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. ADOPTION OF AGENDA
Members of the public shall have an opportunity to comment on each agenda item as the Board is considering it, prior to action being taken.
5. PUBLIC COMMENT
6. DISCUSSION ITEM
 1. Recognition for Debi Louie, 20 years of service
 2. Debi Louie Resigning as Board Secretary
 3. CSDA SDLF Awards Quartz Hill Water District “District Transparency Certificate of Excellence for Transparency”
7. ACTION ITEMS
 - A. CONSENT CALENDAR

Matters listed under the consent calendar are considered routine and non-controversial and will be acted upon in one motion in the order listed below. There will be no separate discussion on these items unless requested by a Member of the Board or the public prior to the time the Board approves the items.

 1. Consideration and possible approval of the September 19, 2024, Minutes of the regular Meeting of the Board of Directors.
 2. Consideration and approval of the September check register.

B. ACTION CALENDAR

1. Consideration and possible action to approve the FY 2024 audit provided by C.J. Brown and Company, LLC An Accountancy Corporation.
2. Consideration and possible action to appoint Shaneece Lopez as the Board Secretary.

8. INFORMATION ITEMS (Written reports included)

A. STAFF REPORTS

1. Report by Administrative Supervisor
Shaneece Lopez
2. Report by Assistant General Manager
Brach Smith
3. Report by General Manager
Brent Byrne

B. REPORT BY DIRECTORS

C. REPORT BY ATTORNEY

9. DIRECTOR REQUESTS FOR FUTURE AGENDA ITEMS

10. CLOSED SESSION

- A. Conference with Legal Counsel
- B. Public Employee Performance/Discipline/Dismissal/Release
- C. Personnel Matters
PUBLIC EMPLOYEE EMPLOYMENT

11. PUBLIC REPORT ON ACTION TAKEN IN CLOSED SESSION

12. ADJOURNMENT

In accordance with the Americans with Disabilities Act of 1990, if requested, this agenda will be made available in an appropriate alternative format to persons with a disability. If you need disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call Debi Louie at (661) 943-3170, or inquire at Quartz Hill Water District's office, at least 48 hours prior to the meeting.





FOR IMMEDIATE RELEASE

November 7, 2024

Contact: Brent Byrne
Quartz Hill Water District
5034 W Avenue L
Quartz Hill, CA 93536

Transparency Certificate of Excellence Awarded to Quartz Hill Water District

Quartz Hill, CA — Quartz Hill Water District received the District Transparency Certificate of Excellence by the Special District Leadership Foundation (SDLF) in recognition of its outstanding efforts to promote transparency and good governance.

“This award is a testament to Quartz Hill Water District’s commitment to open government,” said Brent Byrne General Manager. “Our staff is to be commended for their contributions that empower the public with information and facilitate engagement and oversight.” To receive the award, Quartz Hill Water District demonstrated the completion of essential governance transparency requirements, including conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

SDLF is an independent, non-profit organization formed to promote good governance and best practices among California’s special districts through certification, accreditation, and other recognition programs.

Special districts are independent public agencies that deliver core local services to communities, such as Utility, wastewater treatment, fire protection, parks and recreation, healthcare, sanitation, mosquito abatement, ports, libraries, public cemeteries and more. Districts are established by voters and their funding is approved by voters to meet specific needs through focused service. They can be specially molded to serve large regions or small neighborhoods depending on the need.

MINUTES of the REGULAR MEETING

TIME: 5:30pm

DATE: Thursday, September 19, 2024

Location: Quartz Hill Water District
5034 W Avenue L, Quartz Hill

1. CALL TO ORDER THE REGULAR MEETING OF THE BOARD OF DIRECTORS

Vice President Rod Holtz calls the meeting to order at 5:30 p.m.

2. ROLL CALL

Vice President Rod Holtz, Director Pierson, Director Dan Massari*, Board Secretary Debi Louie, Assistant General Manager Brach Smith, General Manager Brent Byrne, and Brad Weeks of Charlton Weeks LLP.

*Arrived at 5:41pm

Absent: President Sheldon Carter

Staff in Attendance: Andrew Jones, Shaneece Lopez, Matt Manning, Denise Burks,
Members of the Public in Attendance: Noah Manning, Jim Krieger, Imad Aboujawdah

3. PLEDGE OF ALLEGIANCE

Led by Director Flick

4. ADOPTION OF AGENDA

Members of the public shall have an opportunity to comment on each agenda item as the Board is considering it, prior to action being taken.

1. Consideration and possible action to adopt the agenda.

As there is no request for amendment to the agenda is adopted by assent.

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC- Three-minute limit)

None

6. DISCUSSION ITEM

1. Recognition for Matt Manning, 20 years of service
2. Well 8 Rehab

7. ACTION ITEMS

7.A. CONSENT CALENDAR

Matters listed under the consent calendar are considered routine and non-controversial and will be acted upon in one motion in the order listed below. There will be no separate discussion on these items unless requested by a Member of the Board or the public prior to the time the Board approves the items.

1. Consideration and possible approval of the August 15, 2024, Minutes of the Regular Meeting of the Board of Directors.

and

2. Consideration and approval of the check register for August.
The consent calendar unanimously approved by assent.

7.B. ACTION CALENDAR

1. Consideration and possible action to approve a new Will Serve Letter for APN 3109-001-074 Apartment complex 120 units in the vicinity of Avenue L and 37th St West.

On motion by Director Flick, and second by Director Massari, to approve the Will Serve Letter for APN 3109-001-074.

2. Consideration and possible action to approve the proposal from West Yost in the amount of not to exceed \$14,000, for the American Water Infrastructure Act (AWIA) cybersecurity assessment required for the District ERP update.

On motion by Director Massari, and second by Director Pierson, is unanimously approved.

8. INFORMATION ITEMS (Written reports included)

A. STAFF REPORTS

1. Report by Administrative Supervisors
Shaneece Lopez
2. Report by Assistant General Manager
Brach Smith
3. Report by General Manager
Brent Byrne

B. REPORT BY DIRECTORS

Vice President Holtz report on Finance Committee Meeting

C. REPORT BY ATTORNEY

None

9. DIRECTOR REQUESTS FUTURE AGENDA ITEMS
Appoint Shaneece Lopez as new Board Secretary

10. CLOSED SESSION

A. Conference with Legal Counsel

1. Existing Litigation (Paragraph (1) of subdivision (d) of Section 54956.9)

— a. Diamond Farming/Bolthouse Farms Case/LA County

2. Anticipated Litigation

— Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of
— Section 54956.9

— None

B. Public Employee Performance/Discipline/Dismissal/Release

C. Personnel Matters

PUBLIC EMPLOYEE EMPLOYMENT

11. PUBLIC REPORT ON ACTION TAKEN IN CLOSED SESSION

12. ADJOURNMENT

President Carter called for any other business. When none presented, the meeting adjourned at 6:37.

Rod Holtz, Board Vice President

Attested: _____
Debi Louie, Board Secretary

Quartz Hill Water District
 Check/Voucher Register - CHECK REGISTER
 From 9/1/2024 Through 9/30/2024

<u>Document Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Check Amount</u>	<u>Spoiled</u>
9/19/2024	14217	ACWA JOINT POWERS INSURANCE AUTHORITY	24,985.14	No
9/19/2024	14218	ACWA JOINT POWERS INSURANCE AUTHORITY	7,602.87	No
9/19/2024	14219	AFSCME LOCAL 1902	594.56	No
9/19/2024	14220	ALESHIRE & WYNDER LLP (A&W)	729.71	No
9/19/2024	14221	Antelope Valley Window Cleaning	30.00	No
9/19/2024	14222	Antelope Valley East Kern Water Agency	25.00	No
9/19/2024	14223	C.J. BROWN & COMPANY CPA's	8,015.00	No
9/19/2024	14224	DataProse, Inc.	5,202.77	No
9/19/2024	14225	FAMCON PIPE & SUPPLY	1,416.16	No
9/19/2024	14226	HYDROPRO SOLUTIONS	12,721.16	No
9/19/2024	14227	MACLEOD WATTS INC	5,300.00	No
9/19/2024	14228	MKN	7,114.74	No
9/19/2024	14229	PUBLIC WATER AGENCIES GROUP	1,268.23	No
9/19/2024	14230	RBC Inc	11,727.39	No
9/19/2024	14231	BRACH SMITH	873.30	No
9/19/2024	14232	Vulcan Materials Company	1,541.87	No
Report Total			89,147.90	

Quartz Hill Water District
Cash Journal - Check Register
From 9/1/2024 Through 9/30/2024

1030 - Cash In
Bank (California
Bank & Trust)

Document Number	Effective Date	Transaction Description	Journal Vouchers	Type
01	9/3/2024	BANKCARD USA-1015 (Aug 2024 services)	190.91	JV
02	9/3/2024	BANKCARD USA-General (Aug 2024 services)	6,419.02	JV
03	9/3/2024	AUTHORIZE.NET-General (Aug 2024 batches-transactions)	399.10	JV
04	9/3/2024	AUTHORIZE.NET-1015 (Aug 2024 batches-transactions)	14.50	JV
05	9/6/2024	CINTAS (UNIFORM SERVICE)08.15 to 08.29.24 Invoices	228.13	JV
06	9/6/2024	EideBailly (August 2024 services)	7,655.00	JV
07	9/10/2024	SCE Power Well 16 (07.30 to 08.27.24)	639.91	JV
08	9/10/2024	SCE Power Well 7 (07.30 to 08.27.24)	1,742.88	JV
09	9/10/2024	EDD 09.05.24 SIT PAYROLL TAXES	2,320.48	JV
09	9/10/2024	EDD 09.05.24 SDI PAYROLL TAXES	559.20	JV
10	9/10/2024	CALPERS-CLASSIC (09.05.24 PAYROLL)	5,396.24	JV
11	9/10/2024	CALPERS-PEPRA (09.05.24 PAYROLL)	3,445.86	JV
12	9/10/2024	LINCOLN (09.05.24 PAYROLL)	2,062.16	JV
13	9/11/2024	SCE Power Multi (well 5A) 07.02 to 08.01.24	5,479.27	JV
13	9/11/2024	SCE Power Multi (well 5A) 07.02 to 08.01.24 SCE	5,328.81	JV
13	9/11/2024	SCE Power Multi (Well 06) 07.30 to 08.27.24	3,827.81	JV
13	9/11/2024	SCE Power Multi (Well 12) 07.30 to 08.27.24	2,567.04	JV
13	9/11/2024	SCE Power Multi (Well 17) 07.16 to 08.13.24 SCE	1,421.25	JV
13	9/11/2024	SCE Power Multi (Well 17) 07.16 to 08.13.24	1,249.30	JV
13	9/11/2024	SCE Power Multi (Well 15) 07.31 to 08.28.24	1,002.53	JV
13	9/11/2024	SCE Power Multi (Cal Prop) 07.02 to 08.01.24 SCE	642.08	JV
13	9/11/2024	SCE Power Multi (Cal Prop) 07.02 to 08.01.24	640.91	JV
13	9/11/2024	SCE Power Multi (Tanks on Hill) 07.02 to 08.01.24	224.81	JV
13	9/11/2024	SCE Power Multi (Ave M Pump) 07.01 to 07.31.24 SCE	159.79	JV
13	9/11/2024	SCE Power Multi (Forecast Pump) 07.25 to 08.22.24 SCE	140.16	JV
13	9/11/2024	SCE Power Multi (Well 08) 07.30 to 08.27.24	89.46	JV
13	9/11/2024	SCE Power Multi (Ave M Pump) 07.01 to 07.31.24	70.29	JV
13	9/11/2024	SCE Power Multi (Forecast Pump) 07.25 to 08.22.24	46.93	JV
13	9/11/2024	SCE Power Multi (turn out 70th) 07.02 to 08.01.24	40.82	JV
13	9/11/2024	SCE Power Multi (Ave N turnout) 07.02 to 08.01.24 SCE	26.72	JV
13	9/11/2024	SCE Power Multi (M4 and 50th) 07.02 to 08.01.24 SCE	17.63	JV
13	9/11/2024	SCE Power Multi (Ave N turnout) 07.02 to 08.01.24	14.86	JV
13	9/11/2024	SCE Power Multi (M4 and 50th) 07.02 to 08.01.24	5.66	JV
14	9/11/2024	IRS 09.05.24 SOCIAL SECURITY-TAXES PAYROLL	6,303.58	JV
14	9/11/2024	IRS 09.05.24 FIT PAYABLE-TAXES PAYROLL	4,801.70	JV
14	9/11/2024	IRS 09.05.24 MEDICARE-TAXES PAYROLL	1,474.20	JV
15	9/11/2024	SCE Power Well 9 (07.30 TO 08.27.24) SCE	2,069.92	JV

Quartz Hill Water District
Cash Journal - Check Register
From 9/1/2024 Through 9/30/2024

Document Number	Effective Date	Transaction Description	Journal Vouchers	Type
16	9/11/2024	CALPERS-GASB 68 REPORTING SERVICES FEE	700.00	JV
17	9/18/2024	SO CAL GAS (OPERATIONS CENTER)	18.12	JV
18	9/23/2024	Cal Bank and Trust Analysis (Bank Fees) August 2024	1,651.53	JV
19	9/24/2024	EDD 09.19.24 SIT PAYROLL TAXES	2,336.78	JV
19	9/24/2024	EDD 09.19.24 SDI PAYROLL TAXES	591.65	JV
20	9/24/2024	CALPERS-CLASSIC (09.19.24 PAYROLL)	5,410.93	JV
21	9/24/2024	CALPERS-PEPRA (09.19.24 PAYROLL)	3,788.04	JV
22	9/24/2024	LINCOLN-09.19.24 PAYROLL	2,804.22	JV
23	9/25/2024	CINTAS (UNIFORM SERVICE)08.15 to 08.29.24 Invoices	239.52	JV
24	9/25/2024	IRS 09.19.24 SOCIAL SECURITY-TAXES PAYROLL	6,217.74	JV
24	9/25/2024	IRS 09.19.24 FIT PAYABLE-TAXES PAYROLL	4,971.05	JV
24	9/25/2024	IRS 09.19.24 MEDICARE-TAXES PAYROLL	1,559.82	JV
25	9/30/2024	SCE Power Well 14 (08.14 to 09.12.24) SCE	558.46	JV
26	9/30/2024	SCE Power (Opp Center) 08.14 to 09.12.24 SCE	1,999.34	JV
26	9/30/2024	SCE Power (Opp Center) 08.14 to 09.12.24	1,924.54	JV

Report Total 103,490.66

Quartz Hill Water District
Check/Voucher Register
From 9/1/2024 Through 9/30/2024

<u>Document Date</u>	<u>Document Number</u>	<u>Payee</u>	<u>Document Amount</u>
9/18/2024	3540	Keenan Brown	46.69
9/18/2024	3541	Casas Bonitas LP	185.55
9/18/2024	3542	Bahjat Deeb	104.65
9/18/2024	3543	Philip Zotti	96.04
9/18/2024	3544	KYLE ANTHONY PINES	38.26
9/18/2024	3545	TEANNE ROBERTS	73.91
9/18/2024	3546	JEFFREY ROCCA	6.56
9/18/2024	3547	Victoria Taylor	60.00
Report Total			611.66

Quartz Hill Water District

Management Report

June 30, 2024

DRAFT

Quartz Hill Water District

Management Report

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DRAFT

October 17, 2024

Board of Directors
Quartz Hill Water District
Quartz Hill, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the business-type activities of the Quartz Hill Water District (District) as of and for the year ended June 30 2024, 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, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Current Year Comment and Recommendation

None noted.

This communication is intended solely for the information and use of management and the Board of Directors of the District and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company, CPAs
Cypress, California
October 17, 2024

DRAFT

APPENDIX

Quartz Hill Water District

Finance Committee Letter

June 30, 2024

October 17, 2024

Board of Directors
Quartz Hill Water District
Quartz Hill, California

We have audited the financial statements of the business-type activities of the Quartz Hill Water District (District) for the year ended June 30, 2024, and have issued our report thereon dated November 16, 2023.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 24, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated October 17, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards

As auditors of the District, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no other changes in significant accounting policies or their application during 2024. No other matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

Management’s estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of capital assets depreciation is based on historical estimates of each capitalized item’s useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the other post-employment benefit plan’s deferred outflows of resources, net OPEB liability, and deferred inflows of resources are based on an actuarial valuation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the defined benefit pension plan’s deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial valuation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

The disclosure of fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 6 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's other post-employment benefit plan in Note 9 to the financial statements is based on actuarial assumptions which could differ from actual costs.

The disclosure of the District's defined benefit pension plan in Note 10 to the financial statements is based on actuarial assumptions which could differ from actual costs.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 17, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension Liability, Schedules of Pension Plan Contributions, and Schedules of Changes in the Net OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Conclusion

We appreciate the cooperation extended us by Brent Byrne, General Manager, and Richard Martinez of Eide Bailly, in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

C.J. Brown & Company, CPAs
Cypress, California
October 17, 2024

Quartz Hill Water District
Schedule of Client Adjusting Journal Entries
For the Year Ended June 30, 2024

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust net OPEB liability at year-end.			
1962	Deferred Outflows - OPEB - Assumption Changes	\$ 82,444.00	
2147	Accrued OPEB Liability	209,141.00	
2312	Deferred Inflows - OPEB Assumption Changes	101,428.00	
1963	Deferred Outflow - OPEB - Investment Experience		2,501.00
1963	Deferred Outflow - OPEB - Investment Experience		2,899.00
2311	Deferred Inflows - OPEB Diff in Experience		15,020.00
6417-2000-05	Insurance-Retiree		47,858.00
6418-2000-05	OPEB Expense		324,735.00

DRAFT



**Annual Financial Report
For the Fiscal Years Ended June 30, 2024 and 2023**

DRAFT



Board of Directors as of June 30, 2024

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sheldon Carter	President	2024
Rod Holtz	Vice President	2026
Allen G. Flick, Sr.	Director	2026
Lance Pierson	Director	2024
Dan Massari	Director	2024

**Brent Byrne, General Manager
Quartz Hill Water District
5034 West Avenue L
Quartz Hill, California 93536
(661) 943-3170
www.qhwd.org**

**Quartz Hill Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2024 and 2023**

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Financial Section

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Independent Auditor's Report

Board of Directors
Quartz Hill Water District
Quartz Hill, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Quartz Hill Water District (District), which comprises the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Quartz Hill Water District as of June 30, 2024 and 2023, and the changes in financial position and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Emphasis of matter

As discussed in Note 11 to the financial statements, the District has adopted the provisions of GASB Statement No. 87 – Leases. As a result, the District has restated its net position to reflect the effects of the change in accounting policy. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 44 through 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 49 and 50.

C.J. Brown & Company, CPAs
Cypress, California
October 17, 2024

Quartz Hill Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2024 and 2023

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Quartz Hill Water District (District) provides an introduction to the financial statements of the District for the years ended June 30, 2024 and 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2024, the District's net position increased 1.21% or \$358,117 to \$30,046,494 as a result of ongoing operations and capital contributions. In fiscal year 2023, the District's net position decreased 0.90% or \$268,589 to \$29,688,377 as a result of ongoing operations and capital contributions.
- Total revenues increased 9.22% or \$597,264 to \$7,074,950. In fiscal year 2023, the District's total revenues decreased 9.91% or \$712,469 to \$6,477,686.
- Operating revenues increased 1.47% or \$79,844 to \$5,526,670. In fiscal year 2023, the District's operating revenues decreased 8.28% or \$491,837 to \$5,446,826.
- Non-operating revenues increased 50.19% or \$517,420 to \$1,548,280. In fiscal year 2023, the District's non-operating revenues decreased 17.63% or \$220,632 to \$1,030,860.
- Total expenses decreased 0.72% or \$49,054 to \$6,726,639. In fiscal year 2023, the District's total expenses increased 5.62% or \$360,739 to \$6,775,693.
- Operating expenses (including depreciation expense) increased 5.50% or \$318,397 to \$6,104,405; which includes an increase of \$312,267 in operating expenses to \$5,089,332 and an increase of \$6,130 in depreciation expense to \$1,015,073. In fiscal year 2023, the District's operating expenses (including depreciation expense) decreased 4.10% or \$247,400 to \$5,786,008; which includes a decrease of \$348,936 in operating expenses to \$4,777,065 and an increase of \$101,536 in depreciation expense to \$1,008,943.
- Non-operating expenses decreased 37.13% or \$367,451 to \$622,234. In fiscal year 2023, the District's non-operating expenses increased 159.39% or \$608,139 to \$989,685.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), deferred inflows of resources, and net position. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period.

Quartz Hill Water District
Management's Discussion and Analysis, continued
For the Years Ended June 30, 2024 and 2023

Required Financial Statements

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. You can think of the District's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as the change in economic conditions, population growth, zoning, and new or changed government legislation, such as the change in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 43.

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,046,494 and \$29,688,377 as of June 30, 2024 and 2023, respectively.

A portion of the District's net position, 44.95% and 44.58% as of June 30, 2024 and 2023, respectively, reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2024 and 2023, the District showed a positive balance in its unrestricted net position of \$15,900,320 and \$15,842,960, respectively. See note 12 for further discussion.

Quartz Hill Water District
Management's Discussion and Analysis, continued
For the Years Ended June 30, 2024 and 2023

Statement of Net Position, continued

	Condensed Statements of Net Position				
	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>Change</u>
Assets:					
Current assets	\$ 16,243,094	17,282,736	(1,039,642)	16,484,046	798,690
Non-current assets	<u>25,001,877</u>	<u>23,875,050</u>	<u>1,126,827</u>	<u>24,977,615</u>	<u>(1,102,565)</u>
Total assets	<u>41,244,971</u>	<u>41,157,786</u>	<u>87,185</u>	<u>41,461,661</u>	<u>(303,875)</u>
Deferred outflows of resources	<u>1,110,520</u>	<u>1,203,190</u>	<u>(92,670)</u>	<u>792,772</u>	<u>410,418</u>
Liabilities:					
Current liabilities	1,141,852	1,036,371	105,481	1,081,404	(45,033)
Non-current liabilities	<u>8,623,784</u>	<u>8,888,394</u>	<u>(264,610)</u>	<u>8,116,171</u>	<u>772,223</u>
Total liabilities	<u>9,765,636</u>	<u>9,924,765</u>	<u>(159,129)</u>	<u>9,197,575</u>	<u>727,190</u>
Deferred inflows of resources:	<u>2,543,361</u>	<u>2,747,834</u>	<u>(204,473)</u>	<u>3,099,892</u>	<u>(352,058)</u>
Net position:					
Net investment in capital assets	13,505,343	13,236,459	268,884	13,874,023	(637,564)
Restricted	640,831	608,958	31,873	590,374	18,584
Unrestricted	<u>15,900,320</u>	<u>15,842,960</u>	<u>57,360</u>	<u>15,492,569</u>	<u>350,391</u>
Total net position	<u>\$ 30,046,494</u>	<u>29,688,377</u>	<u>358,117</u>	<u>29,956,966</u>	<u>(268,589)</u>

Statement of Revenues, Expenses, and Changes in Net Position

	Condensed Statements of Revenues, Expenses, and Changes in Net Position				
	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 5,526,670	5,446,826	79,844	5,938,663	(491,837)
Non-operating revenues	<u>1,548,280</u>	<u>1,030,860</u>	<u>517,420</u>	<u>1,251,492</u>	<u>(220,632)</u>
Total revenues	<u>7,074,950</u>	<u>6,477,686</u>	<u>597,264</u>	<u>7,190,155</u>	<u>(712,469)</u>
Expenses:					
Operating expenses	5,089,332	4,777,065	312,267	5,126,001	(348,936)
Depreciation expense	1,015,073	1,008,943	6,130	907,407	101,536
Non-operating expenses	<u>622,234</u>	<u>989,685</u>	<u>(367,451)</u>	<u>381,546</u>	<u>608,139</u>
Total expenses	<u>6,726,639</u>	<u>6,775,693</u>	<u>(49,054)</u>	<u>6,414,954</u>	<u>360,739</u>
Net (loss) income before capital contributions	348,311	(298,007)	646,318	775,201	(1,073,208)
Capital contributions	<u>9,806</u>	<u>29,418</u>	<u>(19,612)</u>	<u>98,702</u>	<u>(69,284)</u>
Changes in net position	<u>358,117</u>	<u>(268,589)</u>	<u>626,706</u>	<u>873,903</u>	<u>(1,142,492)</u>
Net position, beginning of the year, as restated (note 11)	<u>29,688,377</u>	<u>29,956,966</u>	<u>(268,589)</u>	<u>29,083,063</u>	<u>873,903</u>
Net position, end of year	<u>\$ 30,046,494</u>	<u>29,688,377</u>	<u>358,117</u>	<u>29,956,966</u>	<u>(268,589)</u>

A closer examination of the sources of changes in net position reveals that the District's total revenues increased 9.22% or \$597,264 in fiscal year 2024. In fiscal year 2024, the District's operating revenues increased 1.47% or \$79,844 to \$5,526,670, due primarily to increases in water consumption. The District's non-operating revenues increased 50.19% or \$517,420 to \$1,548,280, due primarily to increases of \$432,501 in investment return, and \$56,252 in rental payments.

Quartz Hill Water District
Management's Discussion and Analysis, continued
For the Years Ended June 30, 2024 and 2023

Statement of Revenues, Expenses, and Changes in Net Position, continued

The District's total revenues decreased 9.91% or \$712,469 in fiscal year 2023. In fiscal year 2023, the District's operating revenues decreased 8.28% or \$491,837 to \$5,446,826, due primarily to decreases in water consumption. The District's non-operating revenues decreased 17.63% or \$220,632 to \$1,030,860, due primarily to a decrease of \$929,418 in other non-operating income as a result of the decrease in CalPERS actuarial valuation pension credit adjustments; which was offset by increases of \$643,541 in investment return, and \$55,211 in property taxes.

The District's total expenses decreased 0.72% or \$49,054 in fiscal year 2024. The District's total operating expenses, including depreciation expense, increased 5.50% or \$318,397 to \$6,104,405 due primarily to increases of \$263,310 in water purchases, and \$160,619 in customer accounts; which were offset by an decrease of \$62,804 in pumping plant expenses and \$27,285 in transmission and distribution expenses. The District's non-operating expenses decreased 37.13% or \$367,451 to \$622,234, due primarily to a decrease of \$341,570 in non-operating expense as a result of the decrease in CalPERS actuarial valuation pension expense adjustments.

The District's total expenses increased 5.62% or \$360,739 in fiscal year 2024. The District's total operating expenses, including depreciation expense, decreased 4.10% or \$247,400 to \$5,786,008 due primarily to decreases of \$321,327 in water purchases, and \$66,818 in pumping plant expenses; which were offset by an increase of \$101,536 in depreciation expense. The District's non-operating expenses increased 159.39% or \$608,139 to \$989,685, due primarily to an increase of \$629,470 in other non-operating expense as a result of the increase in CalPERS actuarial valuation pension expense adjustments.

Capital Asset Administration

At the end of years 2024 and 2023, the District's investment in capital assets amounted to \$19,880,343 and \$19,811,459, respectively (net of accumulated depreciation). This investment in capital assets includes land, water distribution and treatment plant, pumping plant and equipment, wells and reservoirs, buildings and structures, equipment, vehicles, and construction-in-process. See note 6 for further discussion.

Changes in capital asset amount for 2024 were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2024</u>
Capital assets:				
Non-depreciable assets	\$ 797,708	161,647	-	959,355
Depreciable assets	35,004,977	922,310	(63,131)	35,864,156
Accumulated depreciation	<u>(15,991,226)</u>	<u>(1,015,073)</u>	<u>63,131</u>	<u>(16,943,168)</u>
Total capital assets, net	<u>\$ 19,811,459</u>	<u>68,884</u>	<u>-</u>	<u>19,880,343</u>

Changes in capital asset amount for 2023 were as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2023</u>
Capital assets:				
Non-depreciable assets	\$ 1,235,495	-	(437,787)	797,708
Depreciable assets	34,539,874	619,166	(154,063)	35,004,977
Accumulated depreciation	<u>(15,136,346)</u>	<u>(1,008,943)</u>	<u>154,063</u>	<u>(15,991,226)</u>
Total capital assets, net	<u>\$ 20,639,023</u>	<u>(389,777)</u>	<u>(437,787)</u>	<u>19,811,459</u>

Quartz Hill Water District
Management's Discussion and Analysis, continued
For the Years Ended June 30, 2024 and 2023

Debt Administration

In 2024 and 2023, long-term debt decreased by \$200,000 and \$190,000, respectively, due primarily to regular principal payment on the District's outstanding debt. See note 8 for further discussion.

Changes in long-term debt amount for 2024 were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2024</u>
Long-term debt:				
Certificate of participation	\$ 6,575,000	-	(200,000)	6,375,000
Less: current portion	<u>(200,000)</u>			<u>(210,000)</u>
Non-current portion	<u>\$ 6,375,000</u>			<u>6,165,000</u>

Changes in long-term debt amount for 2023 were as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2023</u>
Long-term debt:				
Certificate of participation	\$ 6,765,000	-	(190,000)	6,575,000
Less: current portion	<u>(190,000)</u>			<u>(200,000)</u>
Non-current portion	<u>\$ 6,575,000</u>			<u>6,375,000</u>

Conditions Affecting Current Financial Position

Management does not foresee any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Brent Byrne, District's General Manager at 5034 West Avenue L, Quartz Hill, California 93536 or by phone (661) 943-3170.

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Basic Financial Statements

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Quartz Hill Water District
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Current assets:		
Cash and cash equivalents (note 2)	\$ 9,373,635	14,299,539
Cash and cash equivalents – restricted (note 2)	640,831	608,958
Investments (note 2)	4,214,142	493,447
Accrued interest receivable	69,575	50,365
Accounts receivable – water sales and services	879,369	786,435
Property tax receivable	15,418	33,502
Prepaid expenses	42,357	48,526
Inventory – materials and supplies	149,877	129,064
Inventory – water (note 3)	760,800	760,800
Long-term assets – due in one year:		
Lease receivable (note 4)	74,358	68,862
Loan receivable (note 5)	3,361	3,238
Other receivable	19,371	-
Total current assets	16,243,094	17,282,736
Non-current assets:		
Investments (note 2)	4,571,402	3,435,715
Long-term assets – due after one year:		
Lease receivable (note 4)	467,996	542,355
Loan receivable (note 5)	82,136	85,521
Capital assets – not being depreciated (note 6)	959,355	797,708
Capital assets – being depreciated, net (note 6)	18,920,988	19,013,751
Total non-current assets	25,001,877	23,875,050
Total assets	41,244,971	41,157,786
Deferred outflows of resources:		
Deferred OPEB outflows (note 9)	289,814	212,770
Deferred pension outflows (note 10)	820,706	990,420
Total deferred outflows of resources	\$ 1,110,520	1,203,190

Continued on next page

See accompanying notes to the basic financial statements

Quartz Hill Water District
Statements of Net Position, continued
June 30, 2024 and 2023

	2024	2023
Current liabilities:		
Accounts payable and accrued expenses	\$ 232,100	154,113
Accrued payroll and employee benefits	86,985	78,280
Customer deposits and unearned revenues	482,814	468,604
Accrued interest payable	74,589	76,672
Long-term liabilities – due in one year:		
Compensated absences (note 7)	55,364	58,702
Certificate-of-participation (note 8)	210,000	200,000
	1,141,852	1,036,371
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	102,820	109,018
Certificate-of-participation (note 8)	6,165,000	6,375,000
Net OPEB liability (note 9)	1,276,156	1,485,297
Net pension liability (note 10)	1,079,808	919,079
	8,623,784	8,888,394
	9,765,636	9,924,765
Deferred inflows of resources:		
Deferred lease inflows (note 4)	468,814	544,336
Deferred OPEB inflows (note 9)	1,922,643	2,009,051
Deferred pension inflows (note 10)	151,904	194,447
	2,543,361	2,747,834
Net position: (note 12)		
Net investment in capital assets	13,505,343	13,236,459
Restricted	640,831	608,958
Unrestricted	15,900,320	15,842,960
	\$ 30,046,494	29,688,377

See accompanying notes to the basic financial statements

Quartz Hill Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Operating revenues:		
Water consumption fees	\$ 3,187,155	3,080,881
Monthly water service charges	2,244,324	2,222,968
Other water service charges	95,191	142,977
Total operating revenues	5,526,670	5,446,826
Operating expenses:		
Water purchases	1,745,486	1,482,176
Pumping plant	515,776	578,580
Transmission and distribution	852,237	879,522
Customer accounts	1,524,326	1,363,707
Administrative and general expenses	451,507	473,080
Total operating expenses	5,089,332	4,777,065
Operating income before depreciation expense	437,338	669,761
Depreciation expense	(1,015,073)	(1,008,943)
Operating loss	(577,735)	(339,182)
Non-operating revenue(expense):		
Property taxes	606,055	589,359
Investment return	816,758	384,257
Rental income	80,586	24,334
Interest revenue - leases	21,592	23,410
Gain from sale of capital assets	23,289	9,500
Other non-operating (expense) income, net	(261,292)	(618,989)
Interest expense – long-term debt	(360,942)	(370,696)
Total non-operating revenue, net	926,046	41,175
Net income (loss) before capital contributions	348,311	(298,007)
Capital contributions:		
Contributed capital	9,806	29,418
Total capital contributions	9,806	29,418
Changes in net position	358,117	(268,589)
Net position, beginning of year	29,688,377	29,956,966
Net position, end of year	\$ 30,046,494	29,688,377

See accompanying notes to the basic financial statements

Quartz Hill Water District
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 5,428,575	5,458,133
Cash paid to vendors and suppliers	(4,059,941)	(3,324,795)
Cash paid to employees for salaries and wages	(1,338,641)	(1,223,317)
Net cash provided by operating activities	29,993	910,021
Cash flows from non-capital financing activities:		
Proceeds from property taxes	624,139	588,755
Proceeds from rental income	95,519	89,770
Net cash provided by non-capital financing activities	719,658	678,525
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,060,668)	(171,879)
Proceeds from capital contributions	9,806	29,418
Principal paid on long-term debt	(200,000)	(190,000)
Interest paid on long-term debt	(363,025)	(372,675)
Net cash used in capital and related financing activities	(1,613,887)	(705,136)
Cash flows from investing activities:		
Interest and investment return	797,548	349,677
Purchase of securities	(5,500,000)	(4,250,000)
Proceeds from sale of securities	669,395	4,718,389
Repayment of loan receivable	3,262	3,142
Net cash (used in) provided by investing activities	(4,029,795)	821,208
Net increase in cash and cash equivalents	(4,894,031)	1,704,618
Cash and cash equivalents, beginning of year	14,908,497	13,203,879
Cash and cash equivalents, end of year	\$ 10,014,466	14,908,497
Reconciliation of cash and cash equivalents to the statements of net position:		
	2024	2023
Cash and cash equivalents	\$ 9,373,635	14,299,539
Cash and cash equivalents - restricted	640,831	608,958
Total cash and cash equivalents	\$ 10,014,466	14,908,497

Continued on next page

See accompanying notes to the basic financial statements

Quartz Hill Water District
Statements of Cash Flows, continued
For the Years Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating loss	\$ <u>(577,735)</u>	<u>(339,182)</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	1,015,073	1,008,943
Other non-operating (income) expense, net	(26,608)	618,989
Change in assets, deferred outflows, liabilities, and deferred inflows:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services	(92,934)	12,497
Prepaid expenses and other deposits	6,169	(8,393)
Materials and supplies inventory	(20,813)	(61,456)
(Increase)Decrease in deferred outflows of resources:		
Deferred OPEB outflows	(77,044)	61,266
Deferred pension outflows	169,714	(471,684)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	77,987	(70,484)
Accrued payroll and employee benefits	8,705	10,624
Deposits for work-orders	14,210	(1,190)
Compensated absences	(9,536)	22,845
Net OPEB liability	(209,141)	38,295
Net pension liability	160,729	919,079
Increase(Decrease) in deferred inflows of resources:		
Deferred OPEB inflows	(366,240)	(827,773)
Deferred pension inflows	<u>(42,543)</u>	<u>(2,355)</u>
Total adjustments	<u>607,728</u>	<u>1,249,203</u>
Net cash provided by operating activities	\$ <u>29,993</u>	<u>910,021</u>
Non-cash investing, capital, and financing transaction:		
Changes in fair value of investments	\$ <u>175,091</u>	<u>35,127</u>

See accompanying notes to the basic financial statements

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Quartz Hill Water District (District) was formed March 11, 1954, pursuant to the provisions of the California Water Code section 30000 et seq. The District is a responsible overseer of the resources, assets, and natural environments in order to provide a high quality water supply that is resilient, reliable, and supplied at a fair and equitable rate. The District is a special district governed by a five-member Board of Directors elected by the public at large for a term of four years.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncement in the current year:

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies

C. Financial Reporting, continued

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is maintained in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

4. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

The District’s investment in LAIF is valued at amortized cost and is not subject to the fair value measurement criteria.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts when material.

5. Property Taxes and Assessments

The County of Los Angeles Assessor’s Office assesses all real and personal property within the County each year. The County of Los Angeles Tax Collector’s Office bills and collects the District’s share of property taxes and assessments. The County of Los Angeles Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end is related to property taxes collected by the County of Los Angeles, which have not been credited to the District’s cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Materials and Supplies

Materials and supplies consist primarily of water pipe and pipefittings for construction and repair to the District’s water treatment and distribution system. Materials and supplies are valued at cost using first-in, first-out basis. Material and supply items are charged to expense at the time the items are consumed.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

7. Restricted Assets

Certain assets of the District are restricted for use by debt covenants and, accordingly, are shown as restricted assets on the accompanying statements of net position. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

8. Lease Receivable

The District's lease receivable are measured at the present value of payments expected to be received during the lease term.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

10. Capital Assets, continued

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

Distribution system	10 to 75 years
General plant	5 to 40 years
Pumping plant and equipment	5 to 40 years
Wells and improvements	10 to 45 years
Reservoirs and tanks	10 to 45 years
Office equipment	5 years

11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

12. Unearned Revenue

Unearned revenue consists of customer deposits held at year-end.

13. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick are recorded when benefits are earned. Cash payment of unused vacation and sick is available to those qualified employees when retired or terminated.

14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

15. Pensions

For the purpose 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 addition to/deduction 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

- Valuation dates: June 30, 2022 and 2021
- Measurement dates: June 30, 2023 and 2022
- Measurement periods: July 1, 2021 to June 30, 2022 and July 1, 2022 to June 30, 2023

16. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets component of net position** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted component of net position** – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted component of net position** – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

16. Budgetary Principles

The District adopts an annual budget typically in June each year to take effect July 1 the following year. The budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The Board approves all budget addition appropriations. Budget integration is employed as a management control device.

17. Reclassification

The District has reclassified certain prior year information to conform with current year presentations.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(2) Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	2024	2023
Cash and cash equivalents	\$ 9,373,635	14,299,539
Restricted – cash and cash equivalents	640,831	608,958
Investments - current	4,214,142	493,447
Investments - non current	4,571,402	3,435,715
Total	\$ 18,800,010	18,837,659

Cash and investments as of June 30 consist of the following:

	2024	2023
Cash and cash equivalents		
Deposits with financial institutions	\$ 2,888,936	3,719,914
Total cash and cash equivalents	2,888,936	3,719,914
Investments		
Money market mutual fund	6,566,674	10,657,360
U.S. Treasury Bills	4,447,733	-
California Local Agency Investment Fund	557,911	531,222
Certificate of deposits	4,338,756	3,929,163
Total investments	15,911,074	15,117,745
Total cash and investments	\$ 18,800,010	18,837,659

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Credit Quality
U.S. Treasury Bills, Notes and Bonds	5 years	No Limit	No Limit	Not applicable
Government Agency Securities	5 years	No Limit	No Limit	Not applicable
Bankers Acceptances	180 days	30%	5%	A-1 or P-1
Medium Term Notes/Deposit Notes	5 years	30%	5%	A or better by Moody's or S&P
Commercial Paper	270 days	10%	5%	A-1 or P-1 must equal or exceed "A" by Moody's or S&P
Certificates of Deposits	5 years	30%	10%	A or better by the Financial Directory
Repurchase Agreements	30 days	10%	None	Not applicable
California Local Agency Investment Fund	Not applicable	Maximum	Maximum	Not applicable
Los Angeles County Investment Pool	Not applicable	20%	None	Not applicable
Money Market Mutual Funds	None	50%	1%	AAA
Registered State Warrants, Notes and Bonds	5 years	20%	10%	Short term: SP-1 or MIG-1; Long term: A2 or A

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

Custodial Credit Risk, continued

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 or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Deposits at banking institutions are federally insured up to \$250,000. As of June 30, 2024 and 2023, bank balances totaling \$3,265,041 and \$2,971,817, respectively, were not insured and collateralized in accordance with the Code; however, the collateralized securities are not held in the District’s name.

Investment in State Investment Pool

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

The District’s deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Interest Rate Risk

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the change in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

As of June 30, 2024, the District’s investments are scheduled to mature as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Money Market Mutual Funds	\$ 6,566,674	6,566,674	-	-
U.S. Treasury Bills	4,447,733	2,987,010	-	1,460,723
California Local Agency Investment Fund	557,911	557,911	-	-
Certificate of deposits	4,338,756	1,227,132	1,640,120	1,471,504
Total	\$ 15,911,074	11,338,727	1,640,120	2,932,227

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

As of June 30, 2023, the District's investments are scheduled to mature as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Money Market Mutual Funds	10,657,360	10,657,360	-	-
California Local Agency Investment Fund	531,222	531,222	-	-
Certificate of deposits	3,929,163	493,447	1,172,381	2,263,335
Total	\$ 15,117,745	11,682,029	1,172,381	2,263,335

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the years ended for each investment type.

Credit ratings as of June 30, 2024, were as follows:

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Rating as of year-end</u>		
			<u>AAAm/A-1+ AA/AA+/AA-</u>	<u>A-1/A+/ A/A-</u>	<u>Unrated</u>
Money Market Mutual Funds	N/A	6,566,674			6,566,674
U.S. Treasury Bills	AA+/Aaa	\$ 4,447,733	4,447,733	-	-
California Local Agency Investment Fund	N/A	557,911	-	-	557,911
Certificate of deposits	Aaa	4,338,756	-	4,338,756	-
Total		\$ 15,911,074	4,447,733	4,338,756	7,124,585

Credit ratings as of June 30, 2023, were as follows:

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Rating as of year-end</u>		
			<u>AAAm/A-1+ AA/AA+/AA-</u>	<u>A-1/A+/ A/A-</u>	<u>Unrated</u>
Money Market Mutual Funds	N/A	\$ 10,657,360	-	-	10,657,360
California Local Agency Investment Fund	N/A	531,222	-	-	531,222
Certificate of deposits	Aaa	3,929,163	-	3,929,163	-
Total		\$ 15,117,745	-	3,929,163	11,188,582

Concentration of Credit Risk

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

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

Fair Value Measurements

As of June 30, 2024, investments measured at fair value on a recurring and non-recurring basis, are as follows:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurement at Reporting Date using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificate of deposits	\$ 4,338,756	-	4,338,756	-
U.S. Treasury Bills	4,447,733	-	4,447,733	-
	8,786,489	-	8,786,489	-
Investments measured at amortized cost:				
Money Market Mutual Funds	6,566,674			
Local Agency Investment Fund	557,911			
Total	\$ 15,911,074			

As of June 30, 2023, investments measured at fair value on a recurring and non-recurring basis, are as follows:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurement at Reporting Date using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificate of deposits	3,929,163	-	3,929,163	-
Total	3,929,163	-	3,929,163	-
Investments measured at amortized cost:				
Money Market Mutual Funds	10,657,360			
Local Agency Investment Fund	531,222			
Total	\$ 15,117,745			

(3) Inventory – Water

On December 10, 2010 and March 12, 2013, the District entered into agreements with the Antelope Valley East Kern Water Agency (AVEK) to purchase 3,550 acre feet of water. The inventory of water is stored in the AVEK’s water banking facility. Under the agreements, the District expects to purchase water at the current market rates and withdraw water from the facility during dry years at a cost substantially below market rates. As of June 30, 2024 and 2023, inventory of water totaled \$760,800.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(4) Lease Receivable

Changes in lease receivable for the year ended June 30, 2024, were as follows:

	<u>2023</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>2024</u>	<u>Current</u>	<u>Non-current</u>
Cell site lease						
AT&T	\$ 325,538	-	(29,298)	296,240	32,163	264,077
T-Mobile	50,752	-	(24,615)	26,137	26,137	-
Verizon	234,927	-	(14,950)	219,977	16,058	203,919
Total	\$ 611,217	-	(68,863)	542,354	74,358	467,996

Changes in lease receivable for the year ended June 30, 2023, were as follows:

	<u>2022</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>2023</u>	<u>Current</u>	<u>Non-current</u>
Cell site lease						
AT&T	\$ 320,472	29,279	(24,213)	325,538	29,298	296,240
T-Mobile	73,910	-	(23,158)	50,752	24,614	26,138
Verizon	248,819	-	(13,892)	234,927	14,950	219,977
Total	\$ 643,201	-	(61,263)	611,217	68,862	542,355

AT&T

On December 1, 2001, the District entered into a communication site lease agreement with AB Cellular La, LLC dba AT&T Wireless (AT&T). AT&T agreed to lease a portion of the District's real property for the purpose of establishing a communication site. The terms of the agreement require AT&T to pay the District \$1,000 monthly rent, which shall be increased on an annual basis by 4% thereafter.

On December 16, 2010, the District entered into an agreement with New Cingular Wireless PCS, LLC, dba AT&T Mobility (AT&T Mobility) where AT&T Mobility will be the successor in interest to AT&T in its December 1, 2001 communication site agreement with the District. The terms of the new agreement require AT&T Mobility to pay a basic annual rent of \$17,000 to lease certain portions of the District's real property for the same purpose. The terms of the new agreement is for an initial lease term of 5 years commencing on December 16, 2010.

Following the implementation of GASB Statement No. 87, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4%. The deferred inflow is amortized on a straight-line basis over the term of the lease.

On December 1, 2022, the District and New Cingular amended its December 16, 2010, agreement. The terms of the agreement require New Cingular to pay a basic annual rent of \$42,320 commencing on July 1, 2023 and subject to a 4% increase thereafter. During the fiscal year ended June 30, 2024, and 2023, the District received total rental payments in the amount of \$42,320, and \$37,032, respectively.

As of June 30, 2024 and 2023, the balance of lease receivable amounted to \$296,240, and \$325,538, respectively. As of June 30, 2024 and 2023, the balance of deferred lease inflows amounted to \$271,153, and \$309,890, respectively.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(4) Lease Receivable, continued

Future payments to be received as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 32,163	11,850	44,013
2026	35,210	10,563	45,773
2027	38,450	9,155	47,605
2028	41,892	7,617	49,509
2029	45,548	5,941	51,489
2030-2031	<u>102,977</u>	<u>6,261</u>	<u>109,238</u>
Total	296,240	<u>51,387</u>	<u>347,627</u>
Current	<u>(32,163)</u>		
Non-current	\$ <u>264,077</u>		

T-Mobile

On April 6, 2000, the District entered into a communication site lease agreement with Pacific Bell Wireless, LLC (Pacific). Pacific agreed to lease a portion of the District's real property for the purpose of establishing a communication site. The terms of the agreement require Pacific to pay the District \$9,000 monthly rent, which shall be increased on an annual basis between 2% and 4% thereafter.

On December 1, 2020, the District entered into an agreement with T-Mobile West, LLC, (T-Mobile) where T-Mobile will be the successor in interest to Pacific in its April 6, 2000 communication site agreement with the District. The terms of the agreement require T-Mobile to pay a basic annual rent of \$20,761 to lease certain portions of the District's real property for the same purpose.

On May 16, 2022, the District and T-Mobile amended its December 1, 2020 agreement. The terms of the agreement require T-Mobile to pay a basic annual rent of \$25,376 commencing on July 1, 2022 and subject to a 3% increase thereafter. During the fiscal year ended June 30, 2024, and 2023, the District received total rental payments in the amount of \$26,137, and \$25,376, respectively.

Following the implementation of GASB Statement No. 87, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3%. The deferred inflow is amortized on a straight-line basis over the term of the lease.

As of June 30, 2024 and 2023, the balance of lease receivable amounted to \$26,137, and \$50,752, respectively. As of June 30, 2024 and 2023, the balance of deferred lease inflows amounted to \$18,910, and \$37,820, respectively.

Future payments to be received as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 26,137	784	26,921
Total	26,137	<u>784</u>	<u>26,921</u>
Current	<u>(26,137)</u>		
Non-current	\$ <u>-</u>		

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(4) Lease Receivable, continued

Verizon

On December 8, 2008, the District entered into a communication site lease agreement with Los Angeles SMSA Limited Partnership dba Verizon Wireless (Verizon). Verizon agreed lease certain portions of the District's real property and improvements. The terms of the agreement require Verizon to pay the District \$13,200 monthly rent, which shall be automatically extended for four additional five year terms unless Verizon submits a written termination notice.

On June 7, 2022, the District and Verizon amended its December 8, 2008 agreement to include District's consent for Verizon's modification, installation and operation of new antennas and additional remote radio on the premises. The terms of the agreement require T-Mobile to pay a basic annual rent of \$21,357 commencing on July 1, 2022 and subject to a 3% increase thereafter. During the fiscal year ended June 30, 2024, and 2023, the District received total rental payments in the amount of \$21,998 and \$21,357, respectively.

Following the implementation of GASB Statement No. 87, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3%. The deferred inflow is amortized on a straight-line basis over the term of the lease.

As of June 30, 2024 and 2023, the balance of lease receivable amounted to \$219,977, and \$234,927, respectively. As of June 30, 2024 and 2023, the balance of deferred lease inflows amounted to \$178,751, and \$196,626, respectively.

Future payments to be received as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 16,058	6,599	22,657
2026	17,220	6,118	23,338
2027	18,436	5,601	24,037
2028	19,711	5,048	24,759
2029	21,045	4,457	25,502
2030-2034	<u>127,507</u>	<u>11,945</u>	<u>139,452</u>
Total	219,977	<u>39,768</u>	<u>259,745</u>
Current	<u>(16,058)</u>		
Non-current	<u>\$ 203,919</u>		

(5) Loans Receivable

Changes in loan receivable for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2024</u>
Loan receivable				
All American Financial Services	\$ 88,759	-	(3,262)	85,497
Total loan receivable	88,759	<u>-</u>	<u>(3,262)</u>	85,497
Less: current portion	<u>(3,119)</u>			<u>(3,361)</u>
Total non-current portion	<u>\$ 85,640</u>			<u>82,136</u>

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(5) Loans Receivable, continued

Changes in loan receivable for 2023 were as follows:

	Balance 2022	Additions	Principal Payments	Balance 2023
Loan receivable				
All American Financial Services	\$ 91,901	-	(3,142)	88,759
Total loan receivable	91,901	-	(3,142)	88,759
Less: current portion	(2,749)			(3,238)
Total non-current portion	\$ 89,152			85,521

All American Financial Services

On August 2012, the District entered into an agreement with All American Financial Services Company for a 100% interest in a promissory note secured by a deed of trust. The promissory note totaled \$117,000, bearing an interest rate of 3.75%, expiring on July 2042. Principal and interest payment of \$542 are due monthly.

Future payments to be received under the agreement as of June 30, 2024, are as follows:

Year	Principal	Interest	Total
2025	\$ 3,361	3,141	6,502
2026	3,489	3,013	6,502
2027	3,623	2,880	6,503
2028	3,761	2,741	6,502
2029	3,904	2,598	6,502
2030-2034	21,873	10,638	32,511
2035-2039	26,376	6,135	32,511
2040-2043	19,110	1,146	20,256
Total	85,497	32,292	117,789
Current	(3,361)		
Non-current	\$ 82,136		

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(6) Capital Assets

Change in capital assets for 2024 was as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 797,708	161,647	-	959,355
Total non-depreciable assets	<u>797,708</u>	<u>161,647</u>	<u>-</u>	<u>959,355</u>
Depreciable assets:				
Distribution systems	10,266,016	6,244	-	10,272,260
General plant	4,041,447	206,274	-	4,247,721
Pumping plant and equipment	1,345,224	-	-	1,345,224
Wells and improvements	3,749,491	-	-	3,749,491
Reservoirs and tanks	8,826,778	539,475	-	9,366,253
Buildings and structures	4,660,887	-	-	4,660,887
Office furniture and equipment	794,063	-	27,751	821,814
Tools and equipment	238,144	-	-	238,144
Vehicles	1,082,927	170,317	(90,882)	1,162,362
Total depreciable assets	<u>35,004,977</u>	<u>922,310</u>	<u>(63,131)</u>	<u>35,864,156</u>
Accumulated depreciation:				
Distribution systems	(3,645,326)	(165,568)	-	(3,810,894)
General plant	(1,636,872)	(193,292)	-	(1,830,164)
Pumping plant and equipment	(479,586)	(47,326)	-	(526,912)
Wells and improvements	(989,763)	(99,528)	-	(1,089,291)
Reservoirs and tanks	(6,766,120)	(226,298)	-	(6,992,418)
Buildings and structures	(931,159)	(116,522)	-	(1,047,681)
Office furniture and equipment	(479,795)	(91,990)	(27,751)	(599,536)
Tools and equipment	(93,210)	(14,537)	-	(107,747)
Vehicles	(969,395)	(60,012)	90,882	(938,525)
Total accumulated depreciation	<u>(15,991,226)</u>	<u>(1,015,073)</u>	<u>63,131</u>	<u>(16,943,168)</u>
Total depreciable assets, net	<u>19,013,751</u>	<u>(92,763)</u>	<u>-</u>	<u>18,920,988</u>
Total capital assets, net	<u>\$ 19,811,459</u>	<u>68,884</u>	<u>-</u>	<u>19,880,343</u>

Major depreciable capital assets additions during the fiscal year ended 2024 consists of additions to the following categories: reservoirs and tanks, and general plant. Depreciation expense was charged to the District's water fund.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(6) Capital Assets, continued

Change in capital assets for 2023 was as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2023</u>
Non-depreciable assets:				
Land	\$ 797,708	-	-	797,708
Construction-in-process	437,787	-	(437,787)	-
Total non-depreciable assets	<u>1,235,495</u>	<u>-</u>	<u>(437,787)</u>	<u>797,708</u>
Depreciable assets:				
Distribution systems	10,266,016	-	-	10,266,016
General plant	4,026,016	15,431	-	4,041,447
Pumping plant and equipment	1,286,815	58,409	-	1,345,224
Wells and improvements	3,732,970	16,521	-	3,749,491
Reservoirs and tanks	8,826,778	-	-	8,826,778
Buildings and structures	4,660,887	-	-	4,660,887
Office furniture and equipment	494,615	453,511	(154,063)	794,063
Tools and equipment	226,620	11,524	-	238,144
Vehicles	1,019,157	63,770	-	1,082,927
Total depreciable assets	<u>34,539,874</u>	<u>619,166</u>	<u>(154,063)</u>	<u>35,004,977</u>
Accumulated depreciation:				
Distribution systems	(3,479,757)	(165,569)	-	(3,645,326)
General plant	(1,443,580)	(193,292)	-	(1,636,872)
Pumping plant and equipment	(432,260)	(47,326)	-	(479,586)
Wells and improvements	(883,741)	(106,022)	-	(989,763)
Reservoirs and tanks	(6,536,670)	(229,450)	-	(6,766,120)
Buildings and structures	(814,637)	(116,522)	-	(931,159)
Office furniture and equipment	(542,599)	(91,259)	154,063	(479,795)
Tools and equipment	(78,673)	(14,537)	-	(93,210)
Vehicles	(924,429)	(44,966)	-	(969,395)
Total accumulated depreciation	<u>(15,136,346)</u>	<u>(1,008,943)</u>	<u>154,063</u>	<u>(15,991,226)</u>
Total depreciable assets, net	<u>19,403,528</u>	<u>(389,777)</u>	<u>-</u>	<u>19,013,751</u>
Total capital assets, net	<u>\$ 20,639,023</u>	<u>(389,777)</u>	<u>(437,787)</u>	<u>19,811,459</u>

Major depreciable capital assets additions during the fiscal year ended 2023 consists of additions to the following categories: office furniture and equipment, vehicles, and pumping plant and equipment. A significant portion of this rehabilitation were constructed by the District and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expense was charged to the District's water fund.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(7) Compensated Absences

Change in compensated absences for 2024 was as follows:

<u>Balance</u> <u>2023</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2024</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 167,720	141,925	(151,461)	158,184	55,364	102,820

Change in compensated absences for 2023 was as follows:

<u>Balance</u> <u>2022</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 144,875	140,810	(117,965)	167,720	58,702	109,018

(8) Long-term Debt

Changes in long-term debt for 2024 were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2024</u>
Certificate of participation:				
Revenue Certificate of Participation Series 2011	\$ 6,575,000	-	(200,000)	6,375,000
Total certificate of participation	6,575,000	-	(200,000)	6,375,000
Current portion	(200,000)			(210,000)
Non-current portion	\$ 6,375,000			6,165,000

Changes in long-term debt for 2023 were as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2023</u>
Certificate of participation:				
Revenue Certificate of Participation Series 2011	\$ 6,765,000	-	(190,000)	6,575,000
Total certificate of participation	6,765,000	-	(190,000)	6,575,000
Current portion	(190,000)			(200,000)
Non-current portion	\$ 6,575,000			6,375,000

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(8) Long-term Debt, continued

Revenue Certificate of Participation Series 2011

On April 6, 2011, the District issued the Quartz Hill Water District Revenue certificate of Participation Series 2011 in the amount of \$8,400,000 for the construction of certain capital improvements to the District's water infrastructures. The certificate of participation bears an interest rate ranging from 3.00% to 5.75%, with principal due annually on November 1 of each year; and interest due semi-annually on April 15 and October 15 of each year. The certificate of participation matures on November 1, 2042.

Annual debt service requirements for the certificate of participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 210,000	352,775	562,775
2026	225,000	341,338	566,338
2027	235,000	328,688	563,688
2028	250,000	315,350	565,350
2029	265,000	301,188	566,188
2030-2034	1,565,000	1,263,100	2,828,100
2035-2039	2,065,000	756,038	2,821,038
2040-2042	1,560,000	138,000	1,698,000
Total	6,375,000	3,796,475	10,171,475
Current	(210,000)		
Non-current	\$ 6,165,000		

(9) Other Post Employment Benefit Obligation

Plan Description

The District's defined benefit OPEB plan (Plan) provides OPEB for all employees that satisfy the plan's eligibility requirements. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board of Directors has the authority to establish and amend the benefit terms and financing requirements of the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical coverage currently provided through ACWA-JPA. Current employment agreements provide for the following:

- Tier 1 – consists of employees hired and retired on or before January 1, 2013. These retirees are eligible to receive a lifetime medical benefit of 100% of the retiree-only medical premium for any plan provided by the District. Coverage must be transitioned to a Supplemental plan once eligible for coverage under Medicare.
- Tier 2 – consists of employees hired on or before January 1, 2013, but retired after this date. To qualify for retiree medical coverage and benefits, the employee must retire from the District at age 50 or older and have been a full time employee of the District while employed. These retirees are eligible to receive a lifetime medical benefit of 100% of the retiree-only medical premium, not to exceed the premium for the Anthem Blue Cross Advantage Plan. Coverage must be transitioned to a Supplemental plan once eligible for coverage under Medicare.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(9) Other Post Employment Benefit Obligation, continued

Benefits Provided, continued

- Tier 3 – consists of employees hired after January 1, 2013. To qualify for retiree medical coverage and benefits, these employees must retire from the District at age 55 or older and have been a full time employee of the District for at least 5 years. These retirees are eligible to receive a lifetime medical benefit equal to a vested percentage of the retiree-only medical premium for the Anthem Blue Cross Advantage Plan. Coverage must be transitioned to a Supplemental plan once eligible for coverage under Medicare.

Employees Covered by Benefit Terms

At June 30, the following employees were covered by the benefit terms:

	2024	2023
Inactive employees or beneficiaries currently receiving benefit payments	8	8
Active employees	11	11
Total plan membership	19	19

Contributions

The District will pay the cost of the post-employment benefit plan based on the hired date and the retirement date. The District funds the plan on a pay-as-you-go basis.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2024 and 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2024: 2.50%; 2023: 2.50%
Salary increases	2024: 3.00%; 2023: 3.00%
Discount rate	2024: 5.60%; 2023: 5.40%
Healthcare cost trend	2024: 10% effective January 1, 2025, 6% effective January 1, 2026, and decreasing down to 3.9% by year 2075. 2023: 5.8% effective January 1, 2023, and fluctuates down to 3.9% by year 2076.

The discount rate was based on the Standards & Poor Municipal Bond 20 Year High Grade Index.

As of June 30, 2024, the mortality rates used were based on the 2021 CalPERS' experience study.

Demographic actuarial assumptions used in valuation are based on the 2021 experience study of the California Public Employees Retirement system using data from 1997 to 2019, except for a different basis used to project future mortality improvements.

As of June 30, 2024, the mortality rates scale was updated to MacLeod Watts Scale 2022 applied generationally from 2010.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(9) Other Post Employment Benefit Obligation, continued

Changes in the Total OPEB Liability

During the years ended June 30, changes in total OPEB liability was as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 1,485,297	1,447,002
Changes for the year:		
Service cost	44,175	43,412
Interest	87,001	83,860
Expected investment income	(9,196)	4,603
Employer contributions	(165,156)	(75,558)
Administrative fees	67	56
Investment experience	(3,624)	(8,065)
Differences between expected and actual experience	(330,654)	-
Changes in assumptions or other inputs	<u>168,246</u>	<u>(10,013)</u>
Net change	<u>(209,141)</u>	<u>38,295</u>
Balance, end of year	\$ <u>1,276,156</u>	<u>1,485,297</u>

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

For the years ended June 30, 2024 and 2023, the District recognized an OPEB expense of \$184,626 and \$217,637, respectively. As of June 30, the District's deferred outflows of resources and deferred inflows of resources related OPEB were as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 287,149	(529,656)	204,705	(631,084)
Difference between expected and actual experience	-	(1,392,987)	-	(1,377,967)
Net difference between projected and actual earnings on investments	<u>2,665</u>	<u>-</u>	<u>8,065</u>	<u>-</u>
Total	\$ <u>289,814</u>	<u>(1,922,643)</u>	<u>212,770</u>	<u>(2,009,051)</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(9) Other Post Employment Benefit Obligation, continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate, continued

As of June 30, 2024, the sensitivity of the total OPEB liability to changes in discount rate are as follows:

	Discount Rate	Valuation	Discount Rate
	1% Lower	Discount Rate	1% Higher
Net OPEB Liability	\$ 1,463,018	1,276,156	1,120,787

As of June 30, 2023, the sensitivity of the total OPEB liability to changes in discount rate are as follows:

	Discount Rate	Valuation	Discount Rate
	1% Lower	Discount Rate	1% Higher
Net OPEB Liability	\$ 1,705,335	1,485,297	1,303,970

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates

As of June 30, 2024, the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

	Trend 1%	Valuation	Trend 1%
	Lower	Trend	Higher
Net OPEB Liability	\$ 1,113,645	1,276,156	1,473,606

As of June 30, 2023, the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

	Trend 1%	Valuation	Trend 1%
	Lower	Trend	Higher
Net OPEB Liability	\$ 1,285,519	1,485,297	1,734,859

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

As of June 30, 2024, deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year	Deferred Net
Ending	Outflows(Inflows)
June 30,	of Resources
2025	\$ (340,884)
2026	(354,845)
2027	(346,601)
2028	(245,385)
2029	(269,232)
Thereafter	(75,882)

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(10) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

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.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective June 30, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous risk pool in effect at June 30, 2024 and 2023, are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	
Benefit payments	monthly for life	
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	1.1% to 2.4%
2024		
Required employee contribution rate	6.92%	8.00%
Required employer contribution rate:	13.00%	7.91%
2023		
Required employee contribution rate	6.92%	7.25%
Required employer contribution rate:	11.65%	7.65%

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(10) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan 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 years ended June 30, the contributions recognized as part of pension expense for the Plan were as follows:

	2024	2023
Contributions – employer	\$ 178,432	175,169

Net Pension Liability

As of June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2024	2023
Proportionate share of net pension liability (asset)	\$ 1,079,808	919,079

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2024 and 2023, the net pension liability of the Plan is measured as of June 30, 2023 and 2022, respectively (the measurement dates).

The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021 (the valuation dates), rolled forward to measurement dates June 30, 2023 and 2022, respectively, 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 the measurement dates June 30, 2023 and 2022, was as follows:

	Proportionate Share
Proportion – June 30, 2021	(0.00341) %
Change in proportion	0.01137
Proportion – June 30, 2022	0.00796
Change in proportion	0.00070
Proportion – June 30, 2023	0.00866 %

For the years ended June 30, 2024 and 2023, the District recognized pension expense of \$287,900 and \$629,470, respectively. In 2024 and 2023, pension expense of \$287,900 and \$629,470 were recorded as part of other non-operating expense, net in the statements of revenues, expenses and changes in net position.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(10) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>2024</u>		<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 178,432	-	175,169	-
Differences between actual and expected experience	46,605	-	6,095	-
Changes in assumptions	65,193	-	94,179	-
Net difference between projected and actual earnings on plan investments	174,831	-	168,351	-
Adjustment due to changes in proportions and difference in employer contributions	355,645	(151,904)	546,626	(194,447)
Total	<u>\$ 820,706</u>	<u>(151,904)</u>	<u>990,420</u>	<u>(194,447)</u>

Deferred Outflows(Inflows) of Resources Related to Pensions, continued

As of June 30, 2024 and 2023, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$178,432 and \$175,169, respectively, will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2025 and 2024, respectively.

As of June 30, 2024, 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>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows/(Inflows) of Resources</u>
2025	\$ 218,095
2026	139,808
2027	127,450
2028	5,017
2029	-
Thereafter	-

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(10) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2022 and 2021
Measurement dates	June 30, 2023 and 2022
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	6.90% and 7.15%
Inflation	2.30% and 2.50%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies

* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses.

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

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(10) Defined Benefit Pension Plan, continued

Discount Rate, continued

The table below reflects the expected real rates of return by asset class.

<u>Asset Class</u>	<u>Assumed Asset Classification</u>	<u>Real Return 1-10^{1,2}</u>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

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

² Figures are based on the 2021-22 Asset Liability Management Study.

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

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

As of June 30, 2024, the sensitivity of the proportionate share of the net pension liability to changes in the discount rate are as follows:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>5.90%</u>	<u>6.90%</u>	<u>7.90%</u>
District's net pension liability	\$ 2,056,419	1,079,808	275,973

As of June 30, 2023, the sensitivity of the proportionate share of the net pension liability to changes in the discount rate are as follows:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>5.90%</u>	<u>6.90%</u>	<u>7.90%</u>
District's net pension liability	\$ 1,846,574	919,079	155,981

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 44 through 46 for the Required Supplementary Information.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(11) Prior Period Adjustment

In 2022, the District implemented GASB Statement No. 87, Leases. The nature, justification, and an explanation of the change are included in note 1.C. As a result of the implementation, the District recognized the lease receivables and deferred inflows of resources and recorded prior period adjustments of \$108,044, to establish beginning balances as of July 1, 2019.

Net position at July 1, 2019, as previously stated	\$	<u>27,568,334</u>
Effect of adjustment to record lease receivable		643,201
Effect of adjustment to record deferred lease inflows		<u>(534,294)</u>
Total adjustment to net position		<u>108,907</u>
Net position at July 1, 2019, as restated		27,677,241
Change in net position, as previously stated		<u>922,558</u>
Net position at June 30, 2020, as restated		28,599,799
Change in net position, as previously stated		<u>483,264</u>
Net position at June 30, 2021, as restated	\$	<u><u>29,083,063</u></u>

(12) Net Position

The balance at June 30, consists of the following:

	<u>2024</u>	<u>2023</u>
Net investment in capital assets:		
Capital assets, net	\$ 19,880,343	19,811,459
Certificate of participation, current	(210,000)	(200,000)
Certificate of participation, non-current	<u>(6,165,000)</u>	<u>(6,375,000)</u>
Total investment in capital assets	<u>13,505,343</u>	<u>13,236,459</u>
Restricted net position:		
Cash and cash equivalent - restricted	<u>640,831</u>	<u>608,958</u>
Total restricted net position	<u>640,831</u>	<u>608,958</u>
Unrestricted net position:		
Non-spendable net position:		
Inventory of materials and supplies	910,677	889,864
Prepaid expenses	<u>42,357</u>	<u>48,526</u>
Total non-spendable net position	953,034	938,390
Spendable net position - undesignated:	<u>14,947,288</u>	<u>14,904,570</u>
Total unrestricted net position	<u>15,900,322</u>	<u>15,842,960</u>
Total net position	<u>\$ 30,046,496</u>	<u>29,688,377</u>

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(13) Risk Management

The District is exposed to various risks of loss related to torts theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources and is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. ACWA-JPIA arranges and administers programs of insurance for the pooling of self-insured losses and purchases reinsurance/excess insurance coverage for its members. At June 30, 2024, the limits and deductibles for liability, property, and workers' compensation programs of the ACWA JPIA in which the District participates are as follows:

- General and auto liability, employment practices liability, and public officials and employees' errors and omissions: Total risk financing self-insurance and reinsurance/excess limits of \$55,000,000, combined single limit per occurrence.
- Crime coverage up to \$100,000 per loss, including employee dishonesty, forgery or alteration, and computer fraud, and public officials' faithful performance of duty coverage, subject to a \$1,000 deductible per loss.
- Property losses are paid at the replacement cost for buildings, fixed equipment and personal property on file, subject to a \$1,000 deductible per loss. If damaged property is not repaired or replaced within a reasonable time frame, such losses are paid on an actual cash value basis. The ACWA-JPIA pools for the first \$100,000 and purchases reinsurance/excess limits of \$500,000,000 per occurrence.
- Cybersecurity insurance will cover breach response costs due to data breaches or security breaches. This includes business interruption loss and dependent business interruption loss as a result of security breach or system failure; cyber extortion loss as a result of an extortion threat; and data recovery cost as a result of a security breach. The insurance limit is \$5,000,000 per member with a \$100,000 deductible per incident and the sublimit for Business interruption is \$100,000.

Certain components of the Water System, including underground pipelines, are not covered by such property loss insurance. In addition, the District has earthquake coverage in the amount of \$2,500,000 aggregate limit, subject to a minimum \$75,000 deductible per loss, and flood coverage in the amount of \$25,000,000 aggregate limit, subject to a \$100,000 deductible per loss. See the captions "—Seismic Considerations" and "Risk-Factors—Natural Disasters."

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

- Boiler and machinery accidental breakdown coverage for the replacement cost, subject to a \$50,000 deductible per loss for turbine units, electrical generators, and electrical power distribution and \$25,000 deductible per loss for all other objects. The ACWA-JPIA pools for the first \$100,000 and purchases reinsurance/excess limits of \$100,000,000 per occurrence.
- Workers' compensation insurance up to State statutory limits for all work-related injuries/illnesses covered by State law, and Employer's Liability coverage up to \$4,000,000 limit.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2024, 2023, and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). There was no IBNR claims payable as of June 30, 2024, 2023, and 2022.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Quartz Hill Water District
Notes to the Basic Financial Statements, continued
For the Years Ended June 30, 2024 and 2023

(15) Commitments and Contingencies

Grant Awards

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

Litigation

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

(16) Subsequent Events

Events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of October 17, 2024, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

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Quartz Hill Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2024
Last Ten Years

Defined Benefit Pension Plan

Description	Measurement Dates									
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.00866%	0.00796%	-0.00341%	0.00545%	0.00448%	0.00350%	0.00383%	0.00305%	0.00969%	0.01067%
District's proportionate share of the net pension liability	\$ 1,079,808	919,079	(184,430)	593,383	459,312	337,369	379,377	264,342	664,898	647,499
District's covered-employee payroll	\$ 1,011,426	1,010,389	944,983	960,047	858,125	766,963	864,542	876,309	889,313	846,211
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	106.76%	90.96%	-19.52%	61.81%	53.53%	43.99%	43.88%	30.17%	74.77%	76.52%
Plan's fiduciary net position as a percentage of the total pension liability	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	80.43%

Notes to the Schedules of the District's Proportionate Share of the Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In fiscal year 2023, there were no changes to actuarial assumptions or methods.

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was

informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

Quartz Hill Water District
Schedules of the District's Proportionate Share of the Net Pension Liability, continued
As of June 30, 2024
Last Ten Years

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability, continued

Change of Assumptions and Methods, continued

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017, funding valuation.

However, for financial reporting purposes, assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

**Quartz Hill Water District
Schedules of Pension Plan Contributions
As of June 30, 2024
Last Ten Years**

Description	Fiscal Years Ended									
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 178,432	175,169	155,976	131,401	114,439	102,644	85,598	81,899	96,221	103,549
Contributions in relation to the actuarially determined contribution	(178,432)	(175,169)	(155,976)	(131,401)	(114,439)	(102,644)	(85,598)	(81,899)	(766,284)	(103,549)
Contribution deficiency(excess)	\$ -	-	-	-	-	-	-	-	(670,063)	-
District's covered payroll	\$ 1,181,503	1,011,426	1,010,389	944,983	960,047	858,125	766,963	864,542	876,309	889,313
Contribution's as a percentage of covered-employee payroll	15.10%	17.32%	15.44%	13.91%	11.92%	11.96%	11.16%	9.47%	10.98%	11.64%

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Quartz Hill Water District
Schedules of the Changes in the Net OPEB Liability and Related Ratios
As of June 30, 2024
Last Ten Years*

Other Post-Employment Benefits Payable

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service cost	\$ 44,175	43,412	124,037	107,201	112,832	105,118	95,654
Interest	87,001	83,860	80,239	84,883	111,603	110,325	110,268
Difference between expected and actual experience	(330,654)	-	(1,186,922)	-	(975,225)	-	-
Changes of assumptions or other inputs	168,246	(10,013)	(822,707)	220,025	33,529	86,415	131,111
Benefit payments	<u>(73,156)</u>	<u>(75,558)</u>	<u>(87,101)</u>	<u>(83,383)</u>	<u>(88,871)</u>	<u>(86,572)</u>	<u>(95,805)</u>
Net change in total OPEB liability	(104,388)	41,701	(1,892,454)	328,726	(806,132)	215,286	241,228
Total OPEB liability – beginning	<u>1,603,537</u>	<u>1,561,836</u>	<u>3,454,290</u>	<u>3,125,564</u>	<u>3,931,696</u>	<u>3,716,410</u>	<u>3,475,182</u>
Total OPEB liability – ending	<u>\$ 1,499,149</u>	<u>1,603,537</u>	<u>1,561,836</u>	<u>3,454,290</u>	<u>3,125,564</u>	<u>3,931,696</u>	<u>3,716,410</u>
Fiduciary net position							
Employer contributions	\$ 165,156	75,558	171,101	118,383	88,871	86,572	95,805
Net investment income (loss)	12,820	3,462	(4,421)	289	-	-	-
Administrative fees	(67)	(56)	(32)	(2)	-	-	-
Benefit payments	<u>(73,156)</u>	<u>(75,558)</u>	<u>(87,101)</u>	<u>(83,383)</u>	<u>(88,871)</u>	<u>(86,572)</u>	<u>(95,805)</u>
Net change in fiduciary net position	104,753	3,406	79,547	35,287	-	-	-
Total fiduciary net position – beginning	<u>118,240</u>	<u>114,834</u>	<u>35,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fiduciary net position – ending	<u>222,993</u>	<u>118,240</u>	<u>114,834</u>	<u>35,287</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 1,276,156</u>	<u>1,485,297</u>	<u>1,447,002</u>	<u>3,419,003</u>	<u>3,125,564</u>	<u>3,931,696</u>	<u>3,716,410</u>
Covered-employee payroll	<u>\$ 1,284,733</u>	<u>1,248,720</u>	<u>1,212,423</u>	<u>921,052</u>	<u>1,030,141</u>	<u>1,015,373</u>	<u>880,698</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>99.33%</u>	<u>118.95%</u>	<u>119.35%</u>	<u>371.21%</u>	<u>303.41%</u>	<u>387.22%</u>	<u>421.98%</u>

Quartz Hill Water District
Schedules of the Changes in the Net OPEB Liability and Related Ratios, continued
As of June 30, 2024,
Last Ten Years*

Note to Schedule:

* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

Change in Benefit Terms: – There were no change in benefit terms for the measurement period ended June 30, 2024 for inflation, which is 2.50% (2023 measurement date = 2.50%) and salary increase rate, which 3.00% (2023 measurement date = 3.00%).

Change in Assumptions – Changes reflected in the current measurement period are as follows:

Discount rate	Increased to 5.60% in 2024 from 5.40% in 2023.
Healthcare cost trend	2024: 10% effective January 1, 2025, 6% effective January 1, 2026, and decreasing down to 3.9% by year 2075; 2023: 5.8% effective January 1, 2023, and fluctuates down to 3.9% by year 2076;

Report on Internal Controls and Compliance

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**Independent Auditor’s Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on the Audits of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors
Quartz Hill Water District
Quartz Hill, California

We have audited, 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, the financial statements of the Quartz Hill Water District (District), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated October 17, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on the Audits of Financial
Statements Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

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

C.J. Brown & Company, CPAs
Cypress, California
October 17, 2024

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1. Administrative Team

Since our last meeting, we have worked diligently on our training efforts to prepare for Debi's retirement. It has gone well. The administrative staff has recently completed off-site training as well. We found them to be an excellent resource and learned a variety of ways to manage future work, striving to streamline processes and work most efficiently. Staff are excited to implement skills learned at the training and look forward to seeing future successes they can bring.

2. Shut off for non-payment

As depicted in the table, in September we saw 185 customers receive a Door Tag, and 36 of them had their water turned off. By the end of the next business day, only four accounts were closed.

	2024			
	Shut Off Notices/Door Tags Placed	Accounts Shut Off for non-payment	Unpaid Accounts Closed	Average Amount Past Due
January	132	24	5	80.9
February	140	19	2	90.64
March	122	14	3	59.9
April	122	18	4	56.25
May	118	18	3	50.75
June	112	21	4	53.09
July	113	11	2	54.60
August	134	17	4	64.79
September	185	36	4	80.29
Annual	1178	178	31	65.69

Shaneece Lopez
 Administrative Supervisor

1. Valve Turning and Flushing

As part of the routine annual maintenance of our distribution system, staff conduct valve turning and flushing. Exercising the District's valves prevents corrosion build-up and minimizes the chance of a valve lockup. This program also ensures that water quality standards are maintained. 1431 valves have been exercised so far this year.



2. Mainline Valve Replacements

The annual valve replacement program continues. Valves identified as defective during last year's valve exercising cycle have been scheduled for replacement throughout the year. Defective valves complicate isolation procedures and result in additional service interruptions during repairs.



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3. Leaks

Field staff continue to replace leaking service lines promptly, minimizing water loss and the interruption of an essential service to customers. After business hours leaks have been frequent and responded to swiftly by field staff. These savings keep operating costs to a minimum which helps stabilize/reduce rates.



4. Pressure Reducing Station Repairs and Maintenance

The District has 9 pressure reducing stations that separate the high pressure of our central zone from the lower pressure north zone. Recently a small part failed causing pressure fluctuations during low demand times. With help from the SCADA system, staff were able to identify and repair the problem before it caused any damage to the system. This was also a good opportunity to review and adjust the setpoints of each station.

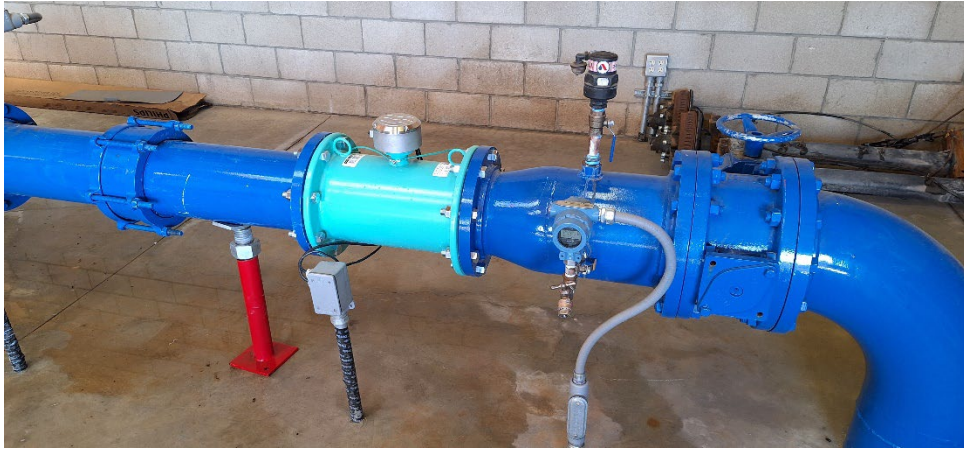


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5. Large Meter Replacement

The reverse flow meter at the Forecast pump station was replaced as part of our capital improvement program. Unlike our well meters, this meter does not measure production volumes, it performs the critical function of regulating flows between our south and central zones. The meter is tied to the SCADA system to open and close the flow control valve, allowing AVEK water to blend with well water in our distribution system.



6. Staff Training

Staff training continues to be a top priority of management. Recent topics included pipe cutting, pipe tapping, and new service installation. These ongoing training sessions help bring new staff up to speed and remind existing staff of safe and efficient work practices.



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7. Water Levels

Monthly monitoring of the district owned groundwater levels continues. These levels are currently stable and on par with historical averages. Proactive groundwater management is a priority of the district's commitment to preserving long-term reliable sources.

8. Water Availability

Monitoring of State water supply, groundwater supply, conservation cutbacks, and other available water resources continue to be a priority of management. Operational changes are made daily to utilize all available water resources and minimize production costs.

Thank you,

Brach Smith

Assistant General Manager

Dear Directors,

The month of September was a productive time for the QHWD team. The field crews remained busy with the typical seasonal service line leaks, mainline valve replacement, facility site maintenance, customer service, and training. Kudos to the field staff who work so hard maintaining water deliveries to our community. The administrative staff continued the customer outreach services through contacting customers who used 175% of their respective monthly usage. Many customers expressed appreciation for the phone call. For more insight into the field operations and capital improvement projects please see Assistant General Manager Brach Smith's report.

Key Activities:

CSDA/SDLF Transparency Certificate of Excellence

Congratulations to the District team for achieving the California Special District Association and Special District Leadership Foundation certification for Transparency. Our Board of Directors set a vision for the team to achieve this milestone as part of the Districts strategic plan. This award encompasses many aspects of community transparency including outreach, website compliance, and general transparency practices. It is now more important than ever for local governments (including special districts), to be open and accessible to the public. The Special District Leadership Foundation's Transparency Certificate of Excellence showcases the many steps QHWD takes to show it is available and transparent to the constituents and customers we serve. I am very proud of the team efforts to achieve this award.



Annual Audit

C.J. Brown & Company, CPAs conducted the field audit, which went very well. Every year, the District is audited by an outside firm complying with the Governmental Accounting Standards Board (GASB). This process ensures transparency and accountability for our ratepayers. They will be presenting at this Board meeting.

Master Water Plan RFP

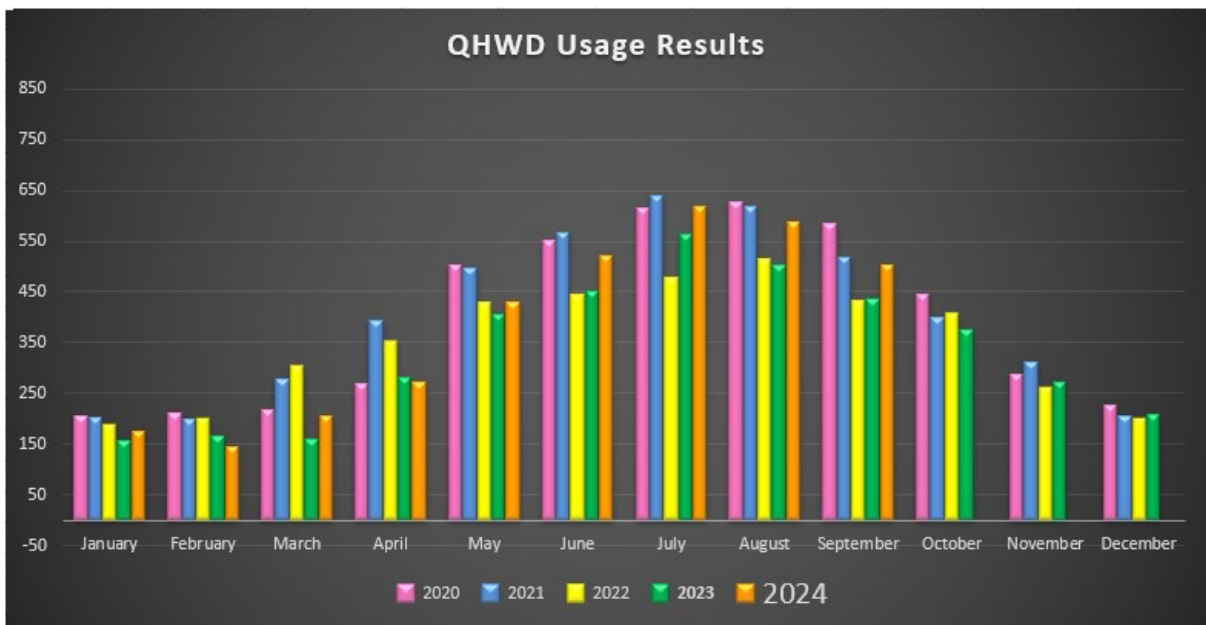
Mr. Smith has been providing data to the engineering team per their request. We recently met with the team and are hopeful to have this project wrapped up by November.

Water Supply Report

The State has finalized the “Making Conservation a California Way of Life Regulation.” The District has already adopted several of the key actions in accordance with the regulation and will tailor our outreach messages to further promote the regulation. See the following web link for more information on this matter: https://www.waterboards.ca.gov/conservation/regs/water_efficiency_legislation.html

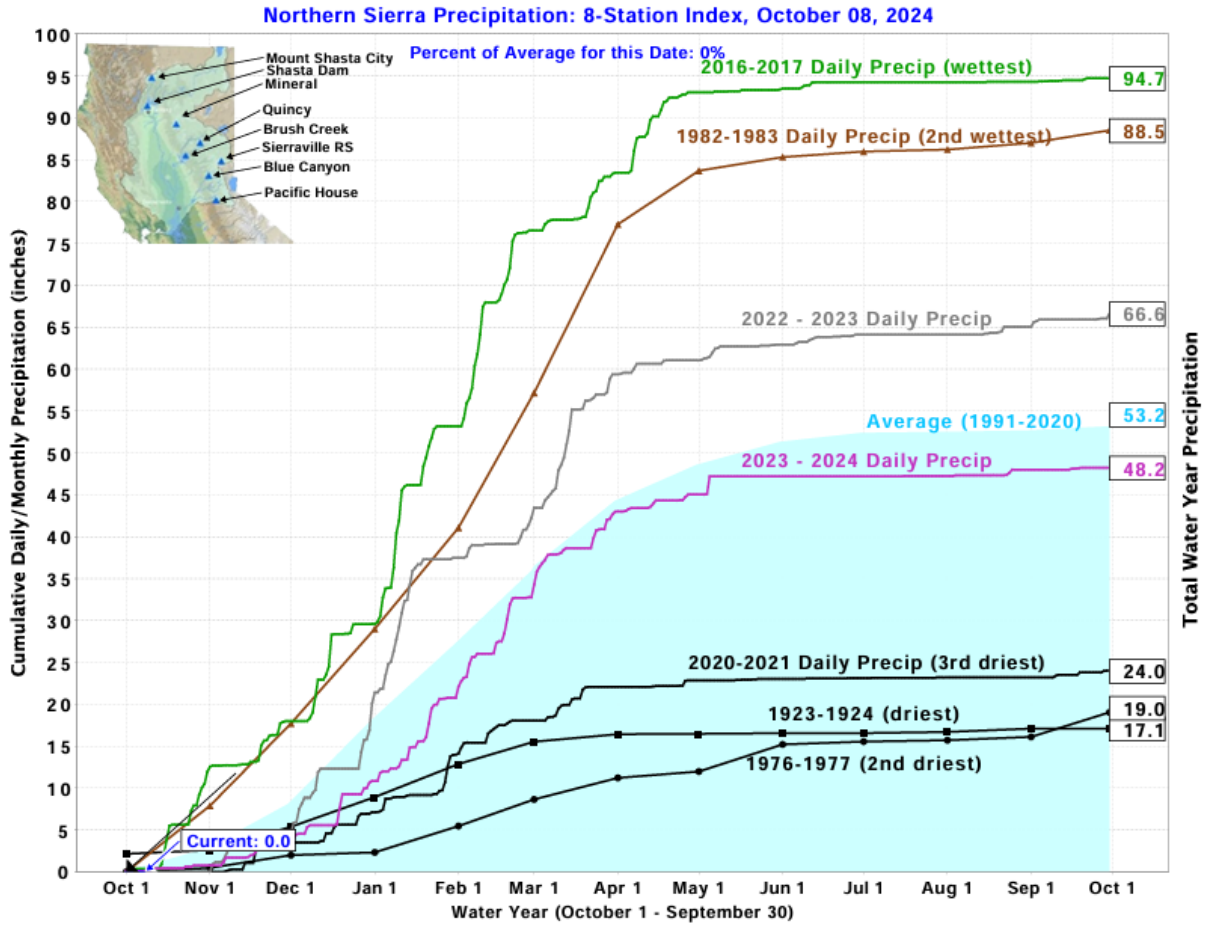
The September water supply continued to be stable. Several reports have come out State reservoirs are at above average levels. The state’s largest reservoirs, Shasta Lake and Lake Oroville, were measured at a respective 109% and 97% of their averages for early October (which marks the beginning of the States “wet calendar year”).

- Total production was 504.47 ac-ft, up 16% from last year but still down 14% from 2020.
- The split was 67% AVEK, 33% wells. The increase in AVEK was mainly due to Well 8 being offline for the month.
- Average well runtime (not including well 8) was 7.09 hours per day.
- Average daily production was 5.49 MGD, with our peak day being September 7th at 6.38 MGD.
- Residential per capita was 263.84.



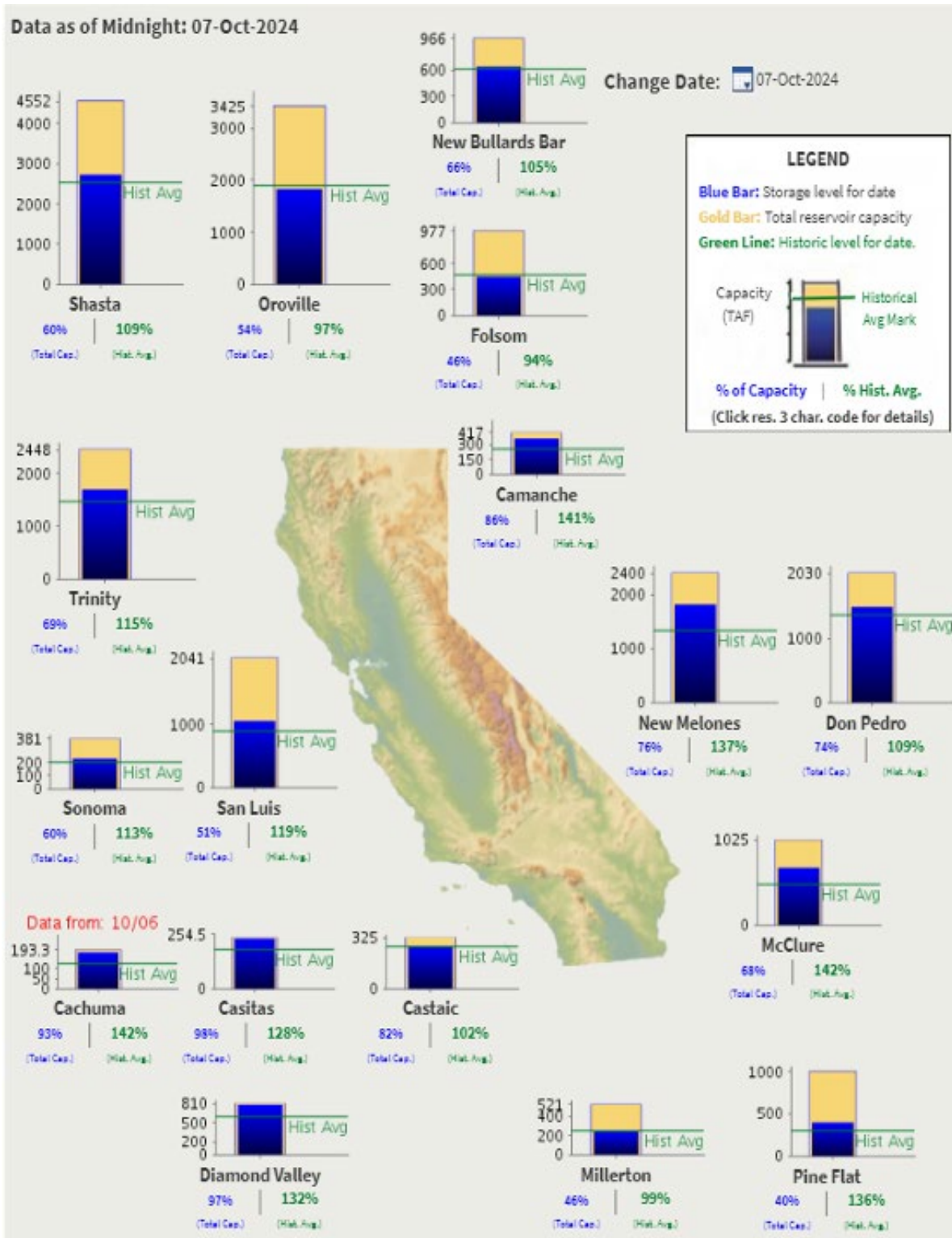
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Daily Reservoir Storage Summary: <https://cdec.water.ca.gov/reservoir.html>

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Income/Expense Report

August was a good month with the Districts revenues and investments performing well. Water sales were higher than anticipated in relation to the community usage, exceeding the monthly budgeted amount. The depreciation fund (non-cash operating expense) was fully funded (\$81k). We are anticipating September revenues to be slightly higher due to an increase in water usage. One keynote for this month was the AVEK invoice was received late and has not been paid yet. This invoice was \$284,510.60, which will be reflected in next month’s expenses along with the September expense.

Management is in the process of scheduling FY25 CIP including two new large service trucks, 75th/M-8 reservoir interior recoat, well rehab (well #8).

**Quartz Hill Water District
Capital Outlay - FY 24-25
August 2024**

CIP Project	FY 24-25 Actuals through August 2024	FY 24-25 Adopted Budget	Remaining Budget	YTD% of Budget
Valve & Hydrant Replacement (Ongoing)	\$ -	\$ 30,000	\$ 30,000	0%
Large Meter Replacement (Ongoing)	-	20,000	20,000	0%
Class 6 Field Service Truck	-	350,000	350,000	0%
Class 8 Dump Truck	-	250,000	250,000	0%
Re-Coat 75th St Tank Interior & Exterior	-	550,000	550,000	0%
Replace Booster Pump M-4 and 50th St W	-	20,000	20,000	0%
Hydraulic Modeling - \$ TBD	-	-	-	N/A
Cal-prop Emergency Backup Pump - \$TBD	-	-	-	N/A
Total	\$ -	\$ 1,220,000	\$ 1,220,000	0%

General Manager Report
October 17, 2024

Quartz Hill Water District
Statement of Revenues and Expenditures
From 8/1/2024 Through 8/31/2024

	August 2024 Actual	FY 24-25 YTD Actual	FY 24-25 Budget	Budget Variance	YTD Percent of Budget (17%)
Revenues					
Operating Revenues from Rates					
Water Sales - Residential	406,047.78	854,366.37	2,820,929.05	(1,966,562.68)	30.28%
Water Sales - Non Residential	82,562.86	174,107.32	620,999.94	(446,892.62)	28.03%
Service Charge - Residential	175,917.75	351,731.33	2,111,681.65	(1,759,950.32)	16.65%
Service Charge - Non Residential	<u>12,962.02</u>	<u>26,045.47</u>	<u>151,225.63</u>	<u>(125,180.16)</u>	<u>17.22%</u>
Total Operating Revenues from Rates	677,490.41	1,406,250.49	5,704,836.27	(4,298,585.78)	24.65%
Other Operating Revenues					
Other Operating Revenues	<u>6,430.47</u>	<u>13,034.62</u>	<u>83,143.38</u>	<u>(70,108.76)</u>	<u>15.67%</u>
Total Other Operating Revenues	6,430.47	13,034.62	83,143.38	(70,108.76)	15.68%
Non-Operating Revenues					
Construction & Development	0.00	52,175.72	22,209.71	29,966.01	234.92%
Capacity Charges	0.00	44,127.00	100,000.00	(55,873.00)	44.12%
Investment Earnings/(Losses)	115,574.40	214,754.87	350,350.00	(135,595.13)	61.29%
Taxes & Assessments	25,862.20	32,412.06	545,069.95	(512,657.89)	5.94%
Rents & Leases	2,543.43	48,646.22	105,000.00	(56,353.78)	46.32%
Other Non-Operating Revenues	<u>500.00</u>	<u>35,382.00</u>	<u>18,776.12</u>	<u>16,605.88</u>	<u>188.44%</u>
Total Non-Operating Revenues	<u>144,480.03</u>	<u>427,497.87</u>	<u>1,141,405.78</u>	<u>(713,907.91)</u>	<u>37.45%</u>
Total Revenues	<u>828,400.91</u>	<u>1,846,782.98</u>	<u>6,929,385.43</u>	<u>(5,082,602.45)</u>	<u>26.65%</u>
Expenses					
Water Purchases					
	0.00	351,442.33	1,882,241.58	1,530,799.25	18.67%
Salaries & Benefits					
	126,822.88	324,523.65	1,821,753.61	1,497,229.96	17.81%
Operations & Maintenance					
	101,068.66	186,270.46	1,038,255.16	851,984.70	17.94%
General & Administrative					
	<u>95,543.56</u>	<u>198,924.82</u>	<u>1,491,360.10</u>	<u>1,292,435.28</u>	<u>13.33%</u>
Total Expenses	<u>323,435.10</u>	<u>1,061,161.26</u>	<u>6,233,610.45</u>	<u>5,172,449.19</u>	<u>17.02%</u>
Net Income (Loss) Subtotal	<u>504,965.81</u>	<u>785,621.72</u>	<u>695,774.98</u>	<u>89,846.74</u>	<u>112.91%</u>
Non-Cash Operating Expenses					
Depreciation Expense					
	<u>81,633.23</u>	<u>163,266.46</u>	<u>0.00</u>	<u>(163,266.46)</u>	<u>0.00%</u>
Total Non-Cash Operating Expenses	<u>81,633.23</u>	<u>163,266.46</u>	<u>0.00</u>	<u>(163,266.46)</u>	<u>0.00%</u>
Net Income (Loss) Total	<u><u>423,332.58</u></u>	<u><u>622,355.26</u></u>	<u><u>695,774.98</u></u>	<u><u>(73,419.72)</u></u>	<u><u>89.44%</u></u>

NOTE: AVEK invoice expense of \$284,510.60 has not processed yet. Which will result in \$138,821.98 (positive bottom line for August)

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Other news

1. Several staff training opportunities have taken place over the past month including:
 - a. CUSI, for UMS billing software we use. Mrs. Lopez and Mrs. Gridler attended.
 - b. Abilia, the accounting software we use. Mrs. Burks attended.
2. Mr. Smith and Mr. Manning have visited a truck body manufacturer to determine what specifications we need for the purchase of a new Peterbilt service truck.
3. The District will be sponsoring the American Public Works Association (APWA) scholarship program, which provides scholarships to worthy youth in our community who are entering the fields of Public Works, Engineering, and/or Construction Management.
4. RGS is in the process of collecting the data required to perform the compensation study. We are working with them to determine job duties and benefit packages.

This concludes my report, and as always please contact me with any questions or concerns at brentb@ghwd.org.

Thank you,

Brent Byrne

General Manager

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