

**FORESTHILL PUBLIC
UTILITY DISTRICT**

AUDITED FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**



FORESTHILL PUBLIC UTILITY DISTRICT

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FORESTHILL PUBLIC UTILITY DISTRICT

DISTRICT OFFICIALS

DISTRICT BOARD OF DIRECTORS

- | | |
|----------------------------------|----------------|
| • <i>Tamra West</i> | President |
| • <i>Helen Rogers West</i> | Vice President |
| • <i>Linda Cholcher</i> | Treasurer |
| • <i>Neil Cochran</i> | Director |
| • <i>Sherry Wicks</i> | Director |

OTHER DISTRICT OFFICIALS

- | | |
|------------------------------|-----------------|
| • <i>Henry White</i> | General Manager |
| • <i>Roger Carroll</i> | Finance Manager |



BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
750 F STREET • DAVIS, CA 95616

(530) 756-1735

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foresthill Public Utility District
Foresthill, California

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Foresthill Public Utility District, as of and for the years ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Foresthill Public Utility District, as of June 30, 2015, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the Foresthill Public Utility District for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foresthill Public Utility District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual and Schedule of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual and Schedule of Operating Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual and Schedule of Operating Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2015, on our consideration of the Foresthill Public Utility 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 Foresthill Public Utility District's internal control over financial reporting and compliance.



October 16, 2015

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

This section of the Foresthill Public Utility District (District) annual financial report presents a narrative overview and analysis of the District's financial activities for the fiscal years ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's Net Position increased 42.92% or \$1,619,531 to \$5.39 million in fiscal year 2015. This was a result of a transfer of surplus water for \$1,000,000.
- In 2015, the District's total operating revenues increased 55.90% or \$1,120,678 from the prior year. This was related to the transfer of surplus water.
- In 2015, the District's operating expenses before depreciation increased by 3.24% or \$36,676. Included in operating expenses was \$98,059 which was related to the transfer of surplus water.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of the following parts:

- Independent Auditor's Report;
- Management's Discussion and Analysis (this section);
- Basic Financial Statements:
 - Government-Wide Financial Statements;
 - Fund Financial Statements; and
 - Notes to Financial Statements
- Required Supplementary Information
- Supplemental Information
- Other reports

The basic financial statements include two kinds of statements that present different views of the District.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

The Statement of Net Position (pages 12-13) presents information on all of the District's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of the District's financial improvement or deterioration.

The Statement of Activities (pages 14-15) presents information showing how the government's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenue – “governmental activities” from other functions that are intended to recover all or a significant portion of their costs through users fees and charges – “business-type activities.” The government activities of the Foresthill Public Utility District includes debt service for the improvement bonds. The business-type activity of the District’s is the water system.

FUND FINANCIAL STATEMENTS

A “fund” is a group of related accounts that is used to maintain control over resources that that have been segregated for specific activities or objectives. The Foresthill Public Utility District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Foresthill Public Utility District can be divided into two categories:

- Governmental Funds; and
- Proprietary Funds

Governmental funds are used to account for essentially the same functions reported as “governmental activities” in the government-wide financial statements. However, unlike those statements, the focus in these statements is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government’s near-term financing requirements.

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

The District has only one governmental fund: Assessment District No. 2 Debt Service Fund.

Proprietary funds are generally used to account for services for which the District charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The District maintains one type of proprietary fund, an enterprise fund, as described below.

Enterprise funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for water operations.

NOTES TO FINANCIAL STATEMENTS

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-48 of this report.

SUPPLEMENTAL INFORMATION

These schedules are for additional analyses for the District Enterprise Fund and can be found beginning on page 49.

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

ANALYSIS OF NET POSITION

With the consolidation of government-wide net position into one statement and other changes such as the exclusion of fiduciary funds, net position may now serve as a useful indicator of a government's financial position. For the District, assets exceeded liabilities and deferred inflows of resources by \$4.15 million.

The Summary of Net Position is as follows:

TABLE 1
SUMMARY OF NET POSITION
AS OF JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2015	2014	2015	2014	2015	2014
ASSETS:						
Current assets	\$ 48,902	\$ 54,452	\$ 2,219,783	\$ 779,165	\$ 2,268,685	\$ 833,617
Other noncurrent assets	2,579,353	2,614,434	1,003,581	1,186,796	3,582,934	3,801,230
Capital assets, net	-	-	6,769,962	6,866,769	6,769,962	6,866,769
TOTAL ASSETS	\$ 2,628,255	\$ 2,668,886	\$ 9,993,326	\$ 8,832,730	\$ 12,621,581	\$ 11,501,616
DEFERRED OUTFLOWS:						
Pension payments	\$ -	\$ -	\$ 98,421	\$ -	\$ 98,421	\$ -
LIABILITIES:						
Liabilities due after one year	\$ 2,575,300	\$ 2,642,700	\$ 2,049,134	\$ 2,109,573	\$ 4,624,434	\$ 4,752,273
Other liabilities	108,761	106,668	363,093	315,300	471,854	421,968
TOTAL LIABILITIES	\$ 2,684,061	\$ 2,749,368	\$ 2,412,227	\$ 2,424,873	\$ 5,096,288	\$ 5,174,241
DEFERRED INFLOWS:						
Pension receipts						
Special assessments to be collected	\$ -	\$ -	\$ 94,549	\$ -	\$ 94,549	\$ -
	2,135,875	2,174,859	-	-	2,135,875	2,174,859
TOTAL DEFERRED	\$ 2,135,875	\$ 2,174,859	\$ 94,549	\$ -	\$ 2,230,424	\$ 2,174,859
NET POSITION:						
Investment in capital assets	\$ -	\$ -	\$ 4,604,711	\$ 4,654,979	\$ 4,604,711	\$ 4,654,979
Restricted	-	-	680,444	1,073,398	680,444	1,073,398
Unrestricted	(2,191,681)	(2,255,341)	2,299,816	679,480	108,135	(1,575,861)
TOTAL NET POSITION	\$ (2,191,681)	\$ (2,255,341)	\$ 7,584,971	\$ 6,407,857	\$ 5,393,290	\$ 4,152,516

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

- Total Net Position increased by \$1,619,531 from 2014 to 2015.
- \$4.60 million (85.38%) in net capital assets (e.g., land, buildings, other improvements, construction in progress and equipment), less any outstanding related debt used to acquire these assets. The District uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- \$0.68 million (12.62%) in net position are earmarked and represent resources that are subject to external restrictions on how they may be used. The increase in this figure from 2014 to 2015 can be found in the Restricted Net position in the Business-type Activities.
- The remaining unrestricted net position is \$108,135.

CHANGES IN NET POSITION

The following table reflects the change in net position for Governmental and Business-Type Activities:

TABLE 2
CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2015	2014	2015	2014	2015	2014
OPERATING REVENUES:						
Sales of water	\$ -	\$ -	\$ 1,412,831	\$ 1,241,009	\$ 1,412,831	\$ 1,241,009
Transfer of surplus water	-	-	1,000,000	-	1,000,000	-
Sugar Pine surcharge	-	-	208,170	220,767	208,170	220,767
Rehabilitation and system surcharges	-	-	425,001	376,164	425,001	376,164
Water service related fees	-	-	14,609	16,813	14,609	16,813
Other income	-	-	64,774	149,954	64,774	149,954
TOTAL	-	-	3,125,385	2,004,707	3,125,385	2,004,707
OPERATING EXPENSES						
Source of supply	-	-	51,228	119,900	51,228	119,900
Pumping	-	-	18,350	18,190	18,350	18,190
Water treatment	-	-	162,929	118,390	162,929	118,390
Transmission and distribution	-	-	240,430	205,327	240,430	205,327
Customer accounts	-	-	262,432	16,970	262,432	16,970
Regulatory compliance	-	-	170,929	23,135	170,929	23,135
Administration and general	-	-	263,348	631,058	263,348	631,058
Depreciation and amortization	-	-	264,957	276,228	264,957	276,228
TOTAL	-	-	1,434,603	1,409,198	1,434,603	1,409,198

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

	Governmental Activities		Business-type Activities		TOTALS	
	2015	2014	2015	2014	2015	2014
NON-OPERATING REVENUES						
(EXPENSES):						
Interest income	4,571	4,544	8,308	2,559	12,879	7,103
Assessments received	38,984	34,232	-	-	38,984	34,232
Loss on disposition of asset	-	-	-	(6,882)	-	(6,882)
Grant income	-	-	-	11,500	-	11,500
Property taxes	47,881	51,352	77,187	74,452	125,068	125,804
Will serve	-	-	52,670	66,862	52,670	66,862
Interest expense	(127,776)	(140,549)	(173,076)	(114,126)	(300,852)	(254,675)
TOTAL	(36,340)	(50,421)	(34,911)	34,365	(71,251)	(16,056)
TRANSFERS						
Transfers in (out)	100,000	100,000	(100,000)	(100,000)	-	-
CHANGE IN NET POSITION	63,660	49,579	1,555,871	529,874	1,619,531	579,453
NET POSITION, JULY 1:						
As originally stated	(255,341)	(304,920)	6,029,100	5,877,983	5,773,759	5,573,063
Prior period adjustment	-	-	-	(378,757)	-	(378,757)
As restated	(255,341)	(304,920)	6,029,100	5,499,226	5,773,759	5,194,306
NET POSITION, JUNE 30	\$ (191,681)	\$ (255,341)	\$ 7,584,971	\$ 6,029,100	\$ 7,393,290	\$ 5,773,759

Governmental Activities and Business-type Activities increased the District's net position by \$63,660 and \$1,555,871, respectively.

REVENUES

The Governmental Activities total revenues and transfers were \$191,436 and Business-Type Activity revenues were \$3.26 million for the year ended June 30, 2015. This represented a total increase of \$1,103,470 from 2014. During 2014/15, the District made a one-time transfer of 2,000 acre feet of surplus water to another district in California at \$500 per acre foot, for a gross transfer price of \$1,000,000. The costs totaling \$98,059 relating to this transfer are included in the Administration and General department costs.

This increase in revenues was attributed to a transfer of surplus water of \$1 million.

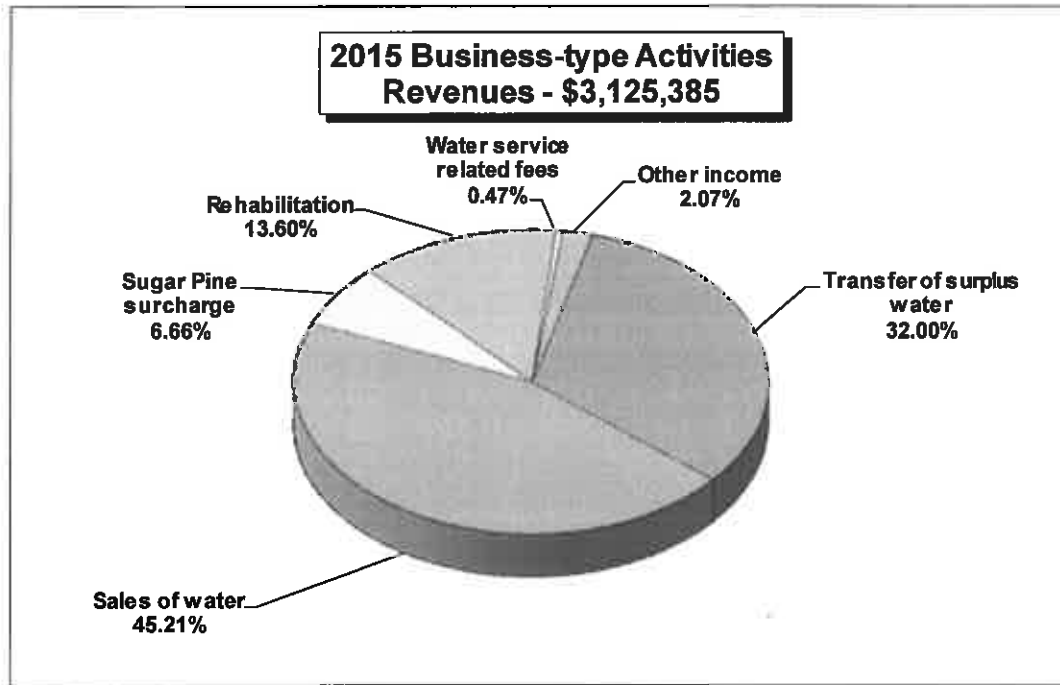
Program revenues include charges for services and grants and contributions. Program revenues provided approximately \$2.13 million for business-type activities.

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$229,601 (6.84% of total revenues). The majority of general revenues came from property taxes, assessments, and will serve fees.

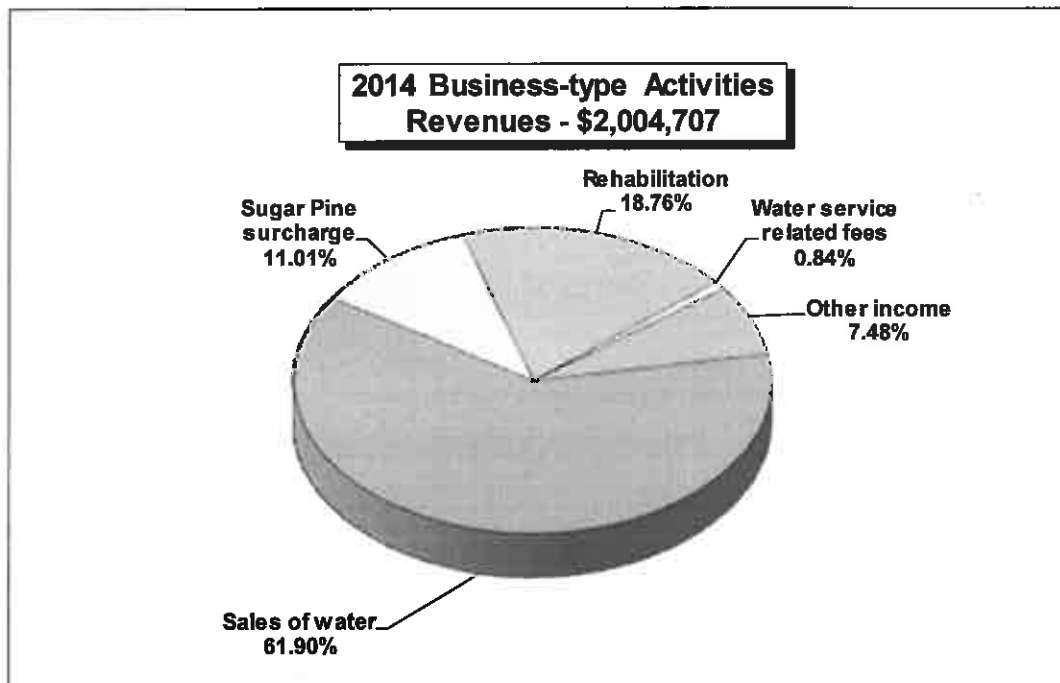
FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

The fiscal year ended June 30, 2015 business-type activities revenues are reflected graphically as follows:



The fiscal year ended June 30, 2014 business-type activities revenues are reflected graphically as follows:



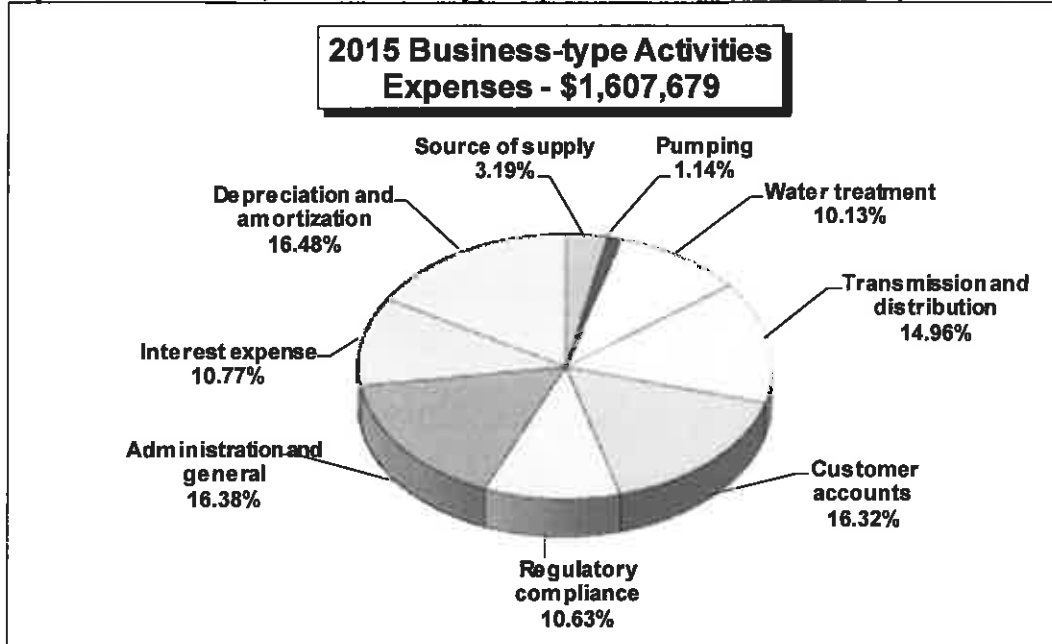
FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

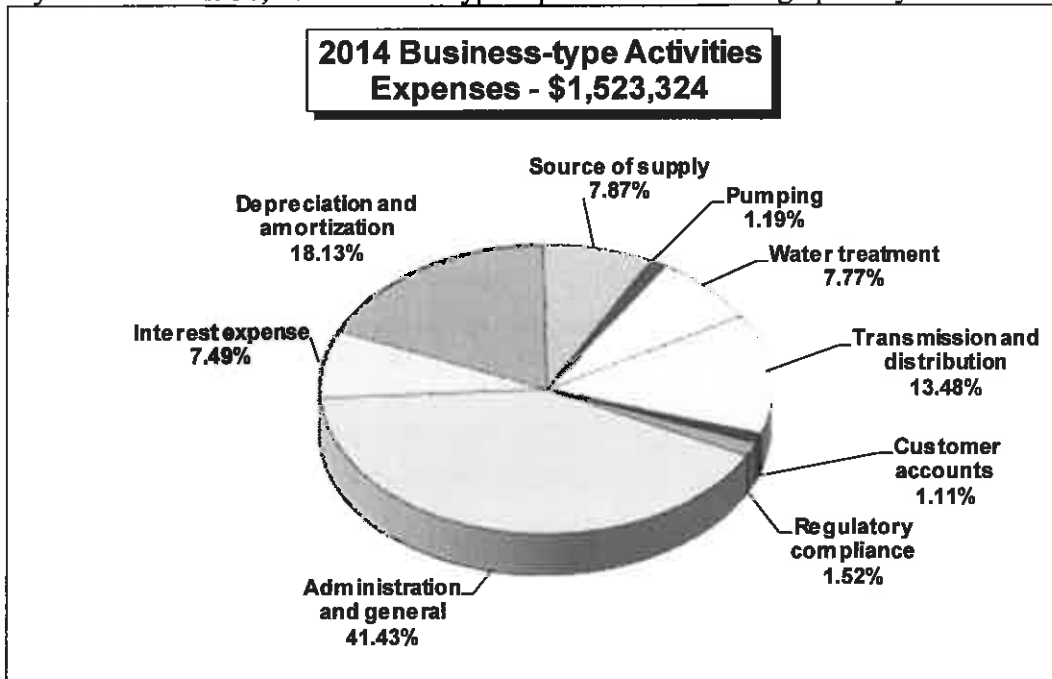
EXPENSES

Expenses for the District totaled \$1.84 million for the fiscal year ended June 30, 2015. Governmental activities incurred \$127,776 in expenses and business-type activities incurred \$1.71 million in expenses during the year. Business-type activities expenses were 203.29% funded by program revenues.

The fiscal year ended June 30, 2015 business-type expenses are reflected graphically as follows:



The fiscal year ended June 30, 2014 business-type expenses are reflected graphically as follows:



FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Foresthill Public Utility District uses fund accounting to segregate accounts for specific activities or objectives, including demonstrating finance-related legal compliance.

GOVERNMENTAL FUNDS

The focus of the District's government funds is to provide information on near-term inflows, outflows and balances of resources that are available to provide services and capital project construction. In particular, unreserved fund balance may serve as a useful measure of a government's net spendable resources.

At the end of FY 2014-15, the District's governmental fund reported committed fund balance of \$451,659.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The capital assets are reported as follows:

TABLE 3
CAPITAL ASSETS, NET OF DEPRECIATION
BUSINESS-TYPE ACTIVITIES
AS OF JUNE 30

	2015	2014
Capital assets, not being depreciated:		
Land and land rights	\$ 36,568	\$ 36,568
Construction in progress	21,252	-
Intangible assets - water rights	130,730	-
	<u>188,550</u>	<u>36,568</u>
Depreciable capital assets:		
Source of supply	1,994,791	2,049,227
Pumping plant	9,292	9,636
Water treatment plant	440,749	459,437
Transmission and distribution	4,062,018	4,230,238
General plant	74,562	81,663
	<u>6,581,412</u>	<u>6,830,201</u>
TOTAL	<u><u>\$ 6,769,962</u></u>	<u><u>\$ 6,866,769</u></u>

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2015, was \$6.77 million (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements other than buildings, and equipment. The District's investment in capital assets had a net decrease for FY 2014-15 of \$(96,807).

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2015

For government-wide financial statement presentation, all depreciable capital assets are depreciated from the acquisition date over their useful lives.

DEBT ADMINISTRATION

At the end of FY 2014-15, the District had long-term liabilities of \$2.65 million and \$1.89 million for governmental activities and business-type activities, respectively. Additional information about the District's long-term obligations can be found in Notes 5 and 6 in the Notes to the Basic Financial Statements.

TABLE 3
OUTSTANDING DEBT
AS OF JUNE 30

	<u>2015</u>	<u>2014</u>
GOVERNMENTAL ACTIVITIES:		
<u>ASSESSMENT DISTRICT NO. 2:</u>		
1997 Improvement bonds	1,049,400	1,075,800
1998 Improvement bonds	<u>1,593,300</u>	<u>1,631,200</u>
TOTAL ASSESSMENT DISTRICT	<u>2,642,700</u>	<u>2,707,000</u>
BUSINESS-TYPE ACTIVITIES:		
<u>FORESTHILL PUBLIC UTILITY DISTRICT:</u>		
2003 Certificates of Participation	\$ -	\$ 2,195,000
2014 Water loan agreement	1,950,296	-
Add: Unamortized premiums	-	11,812
Less: Unamortized cost of issuance	(67,611)	(113,398)
Obligations under capital lease	<u>2,761</u>	<u>4,978</u>
TOTAL PUBLIC UTILITY DISTRICT	<u>1,885,446</u>	<u>2,098,392</u>
TOTAL DEBT	<u>\$ 4,528,146</u>	<u>\$ 4,805,392</u>

GOING FORWARD

The District is heading into its second year of a five year rate increase. With this revenue stability, combined with the administration's continuing frugality, the District sees good prospects for the future. Two major multi-year projects were started during 2014-15 that will progress during the coming year. First, the District is pursuing an extension on its water rights for the Sugar Pine reservoir. Accomplishing this will guarantee that the District's consumers will have access to sufficient water for many years to come. Second, the District is in the design phase of a new water storage tank and hopes to begin construction during the new fiscal year.

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 the District at 24540 Main Street, Foresthill, CA or call (530) 367-2511.

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BASIC FINANCIAL STATEMENTS



FORESTHILL PUBLIC UTILITY DISTRICT

GOVERNMENT-WIDE STATEMENT OF NET POSITION AS OF JUNE 30, 2015 AND 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>TOTALS</u>	
			<u>2015</u>	<u>2014</u>
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ -	\$ 1,055,170	\$ 1,055,170	\$ 517,680
Receivables:				
Accounts receivable, net	-	189,922	189,922	198,419
Due from other governments	-	900,000	900,000	-
Interest receivable	668	3,900	4,568	511
Prepaid expenses	-	56,299	56,299	48,928
Internal balances	48,234	(48,234)	-	-
Inventory - materials and supplies	-	62,726	62,726	68,079
TOTAL CURRENT ASSETS	<u>48,902</u>	<u>2,219,783</u>	<u>2,268,685</u>	<u>833,617</u>
NONCURRENT ASSETS:				
Capital assets, net:				
Nondepreciable	-	188,550	188,550	36,568
Depreciable, net	-	6,581,412	6,581,412	6,830,201
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>6,769,962</u>	<u>6,769,962</u>	<u>6,866,769</u>
OTHER ASSETS:				
Assessments receivable	2,135,875	-	2,135,875	2,174,859
Restricted cash and cash equivalents	443,478	1,003,581	1,447,059	1,512,973
TOTAL OTHER ASSETS	<u>2,579,353</u>	<u>1,003,581</u>	<u>3,582,934</u>	<u>3,687,832</u>
TOTAL ASSETS	<u><u>\$ 2,628,255</u></u>	<u><u>\$ 9,993,326</u></u>	<u><u>\$ 12,621,581</u></u>	<u><u>\$ 11,388,218</u></u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension payments	<u>\$ -</u>	<u>\$ 98,421</u>	<u>\$ 98,421</u>	<u>\$ -</u>

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

	Governmental Activities	Business-type Activities	TOTALS	
			2015	2014
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	\$ -	\$ 68,917	\$ 68,917	\$ 22,566
Retainage payable	-	-	-	28,984
Accrued payroll liabilities	-	31,949	31,949	1,497
Customer deposits	-	30,568	30,568	27,156
Interest payable	41,361	10,554	51,915	65,798
Compensated absences payable	-	45,902	45,902	48,795
Other post-employment benefits payable	-	59,086	59,086	60,655
Obligation under capital lease, due within one year	-	2,354	2,354	2,217
Long-term debt, due within one year	67,400	113,763	181,163	164,300
TOTAL CURRENT LIABILITIES	108,761	363,093	471,854	421,968
NONCURRENT LIABILITIES, due after one year				
Net pension liability	-	279,805	279,805	378,757
Obligation under capital lease	-	407	407	2,761
Long-term debt, net of unamortized issuance costs and premiums	2,575,300	1,768,922	4,344,222	4,636,114
TOTAL NONCURRENT LIABILITIES	2,575,300	2,049,134	4,624,434	5,017,632
TOTAL LIABILITIES	\$ 2,684,061	\$ 2,412,227	\$ 5,096,288	\$ 5,439,600
DEFERRED INFLOWS OF RESOURCES:				
Pension receipts	\$ -	\$ 94,549	\$ 94,549	\$ -
Special assessments to be collected	2,135,875	-	2,135,875	2,174,859
TOTAL DEFERRED INFLOWS	2,135,875	94,549	2,230,424	2,174,859
NET POSITION:				
Invested in capital assets, net of related debt	\$ -	\$ 4,604,711	\$ 4,604,711	\$ 4,654,979
Restricted for:				
Capital reserve	-	322,574	322,574	269,904
Repairs and replacement reserve	-	410,540	410,540	545,658
Certificates of participation reserve	-	-	-	257,836
Unrestricted	(2,191,681)	2,247,146	55,465	(1,954,618)
TOTAL NET POSITION	\$ (2,191,681)	\$ 7,584,971	\$ 5,393,290	\$ 3,773,759

FORESTHILL PUBLIC UTILITY DISTRICT

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AS OF JUNE 30, 2015 AND 2014

Functions/Programs	Operating Expenses	Charges for Services	Program Revenues	
			Grants and other contributions	
			Operating	Capital
GOVERNMENTAL ACTIVITIES:				
Interest on long-term debt	\$ 127,776	\$ -	\$ -	\$ -
BUSINESS-TYPE ACTIVITIES:				
Water utility services and delivery	1,434,603	3,125,385	-	-
Interest on long-term debt	173,076	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,607,679	3,125,385	-	-
TOTAL GOVERNMENT	\$ 1,735,455	\$ 3,125,385	\$ -	\$ -

GENERAL REVENUES:

Property taxes
Interest income
Assessments received
Loss on disposition of asset
Will serve fees

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

Net position, July 1:
As originally stated
Prior period adjustments
As restated

NET POSITION, JUNE 30

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

Net (Expense) Revenue and Changes in Net Position		TOTALS	
Governmental Activities	Business-type Activities	2015	2014
\$ (127,776)	\$ -	\$ (127,776)	\$ (140,549)
-	1,690,782	1,690,782	607,009
-	(173,076)	(173,076)	(114,126)
-	1,517,706	1,517,706	492,883
\$ (127,776)	\$ 1,517,706	\$ 1,389,930	\$ 352,334
47,881	77,187	125,068	125,804
4,571	8,308	12,879	7,103
38,984	-	38,984	34,232
-	-	-	(6,882)
-	52,670	52,670	66,862
100,000	(100,000)	-	-
191,436	38,165	229,601	227,119
63,660	1,555,871	1,619,531	579,453
(2,255,341)	6,029,100	3,773,759	3,573,063
-	-	-	(378,757)
(2,255,341)	6,029,100	3,773,759	3,194,306
\$ (2,191,681)	\$ 7,584,971	\$ 5,393,290	\$ 3,773,759

FORESTHILL PUBLIC UTILITY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND ASSESSMENT DISTRICT NO. 2 DEBT SERVICE FUND AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 443,478	\$ 439,575
Interest receivable	668	-
Due from other funds	<u>48,234</u>	<u>54,452</u>
TOTAL ASSETS	<u><u>\$ 492,380</u></u>	<u><u>\$ 494,027</u></u>
LIABILITIES		
Interest payable	41,361	\$ 42,368
FUND BALANCES		
Committed for debt service	<u>451,019</u>	<u>451,659</u>
	<u><u>\$ 492,380</u></u>	<u><u>\$ 494,027</u></u>

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

FORESTHILL PUBLIC UTILITY DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION AS OF JUNE 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 451,019	\$ 451,659
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Long-term amounts not due and available in the current period and therefore are not reported in the governmental funds balance sheet:		
Assessments receivable	2,135,875	2,174,859
Deferred revenues	(2,135,875)	(2,174,859)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet:		
Bonds payable	(2,642,700)	(2,707,000)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (2,191,681)</u></u>	<u><u>\$ (2,255,341)</u></u>

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

FORESTHILL PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND ASSESSMENT DISTRICT NO. 2 DEBT SERVICE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUES:		
Interest income	\$ 4,571	4,544
Property taxes	<u>47,882</u>	<u>51,352</u>
TOTAL REVENUES	<u>52,453</u>	<u>55,896</u>
EXPENDITURES:		
Debt services:		
Interest expense	127,777	140,549
Principal payments	<u>64,300</u>	<u>61,300</u>
TOTAL EXPENDITURES	<u>192,077</u>	<u>201,849</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(139,624)</u>	<u>(145,953)</u>
OTHER FINANCING SOURCES:		
Proceeds from assessment receivable collections	38,984	34,232
Transfers in	<u>100,000</u>	<u>100,000</u>
TOTAL OTHER FINANCING SOURCES	<u>138,984</u>	<u>134,232</u>
NET CHANGE IN FUND BALANCE	(640)	(11,721)
FUND BALANCES, July 1	<u>451,659</u>	<u>463,380</u>
FUND BALANCES, JUNE 30	<u><u>\$ 451,019</u></u>	<u><u>\$ 451,659</u></u>

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

FORESTHILL PUBLIC UTILITY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCALS YEAR ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (640)	(11,721)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities:		
Repayment of principal	64,300	61,300
CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	<u>\$ 63,660</u>	<u>\$ 49,579</u>

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

FORESTHILL PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION - DISTRICT ENTERPRISE FUND AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,055,170	\$ 517,680
Receivables:		
Accounts receivable, net	189,922	198,419
Due from other governments	900,000	-
Interest receivable	3,900	511
Prepaid expenses	56,299	48,928
Inventory - materials and supplies	62,726	68,079
TOTAL CURRENT ASSETS	<u>2,268,017</u>	<u>833,617</u>
NONCURRENT ASSETS:		
Capital assets, net:		
Nondepreciable	188,550	36,568
Depreciable, net	6,581,412	6,830,201
TOTAL NONCURRENT ASSETS	<u>6,769,962</u>	<u>6,866,769</u>
OTHER ASSETS:		
Restricted cash and cash equivalents	<u>1,003,581</u>	<u>1,073,398</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension payments	<u>98,421</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 10,139,981</u></u>	<u><u>\$ 8,773,784</u></u>

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

	<u>2015</u>	<u>2014</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 68,917	\$ 22,566
Retainage payable	-	28,984
Accrued payroll liabilities	31,949	1,497
Customer deposits	30,568	27,156
Interest payable	10,554	23,430
Due to other funds	48,234	54,452
Compensated absences payable	45,902	48,795
Other post-employment benefits payable	59,086	60,655
Obligation under capital lease, due within one year	2,354	2,217
Long-term debt, due within one year	<u>113,763</u>	<u>100,000</u>
TOTAL CURRENT LIABILITIES	<u>411,327</u>	<u>369,752</u>
NONCURRENT LIABILITIES, due after one year		
Net pension liability	279,805	378,757
Obligation under capital lease	407	2,761
Long-term debt, net of unamortized issuance costs and premiums	<u>1,768,922</u>	<u>1,993,414</u>
TOTAL NONCURRENT LIABILITIES	<u>2,049,134</u>	<u>2,374,932</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension receipts	<u>94,549</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,555,010</u>	<u>\$ 2,744,684</u>
NET POSITION:		
Invested in capital assets, net of related debt	\$ 4,604,711	\$ 4,654,979
Restricted for:		
Capital reserve	322,574	269,904
Repairs and replacement reserve	410,540	545,658
Certificates of participation reserve	-	257,836
Unrestricted	<u>2,247,146</u>	<u>300,723</u>
TOTAL NET POSITION	<u>\$ 7,584,971</u>	<u>\$ 6,029,100</u>

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FORESTHILL PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:		
Sales of water	\$ 1,412,831	\$ 1,241,009
Transfer of surplus water	1,000,000	-
Sugar Pine surcharge	208,170	220,767
Rehabilitation and system surcharges	425,001	376,164
Water service related fees	14,609	16,813
Other income	64,774	149,954
TOTAL OPERATING REVENUES	<u>3,125,385</u>	<u>2,004,707</u>
OPERATING EXPENSES:		
Source of supply	51,228	119,900
Pumping	18,350	18,190
Water treatment	162,929	118,390
Transmission and distribution	240,430	205,327
Customer accounts	262,432	16,970
Regulatory compliance	170,929	23,135
Administration and general	263,348	631,058
Depreciation and amortization	264,957	276,228
TOTAL OPERATING EXPENSES	<u>1,434,603</u>	<u>1,409,198</u>
OPERATING INCOME	<u>1,690,782</u>	<u>595,509</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	8,308	2,559
Loss on disposition of asset	-	(6,882)
Grant income	-	11,500
Property taxes	77,187	74,452
Will serve fees	52,670	66,862
Interest expense	(173,076)	(114,126)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(34,911)</u>	<u>34,365</u>
INCOME BEFORE TRANSFERS	1,655,871	629,874
TRANSFERS:		
Transfer out	(100,000)	(100,000)
CHANGE IN NET POSITION	<u>1,555,871</u>	<u>529,874</u>
NET POSITION, JULY 1:		
As originally stated	6,029,100	5,877,983
Prior period adjustments	-	(378,757)
As restated	<u>6,029,100</u>	<u>5,499,226</u>
NET POSITION, JUNE 30	<u><u>\$ 7,584,971</u></u>	<u><u>6,029,100</u></u>

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

FORESTHILL PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 2,237,294	\$ 2,006,885
Cash paid to suppliers	(420,220)	(454,349)
Cash paid to employees and related benefits	(708,087)	(740,144)
Interfund borrowings	(6,218)	(107,115)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,102,769</u>	<u>705,277</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(162,949)	(401,054)
Interest paid	(185,953)	(114,907)
Proceeds from long-term borrowing	2,081,149	-
Payments on obligations under capital lease	(2,217)	(2,087)
Payments on long-term debt	(2,325,853)	(100,000)
Prior bond premiums written off	(11,812)	-
Prior bond costs written off	113,398	-
Cost of issuance on new debt	(72,812)	-
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(567,049)</u>	<u>(618,048)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant income received	-	11,500
Deferred outflows for pension payments	(98,421)	-
Deferred inflows for pension receipts	94,549	-
Reduction of net pension liability	(98,951)	-
Property tax receipts	77,187	74,452
Receipts from will serve	52,670	66,862
Transfers out	(100,000)	(100,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(72,966)</u>	<u>52,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,919	2,048
INCREASE IN CASH AND CASH EQUIVALENTS	467,673	142,091
Cash and cash equivalents, July 1	<u>1,591,078</u>	<u>1,448,987</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 2,058,751</u></u>	<u><u>\$ 1,591,078</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 1,055,170	\$ 517,680
Restricted cash with fiscal agent	<u>1,003,581</u>	<u>1,073,398</u>
	<u><u>\$ 2,058,751</u></u>	<u><u>\$ 1,591,078</u></u>

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

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income from operations to cash provided by operating activities:		
Operating income (loss)	\$ 1,690,782	\$ 595,509
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	264,957	276,228
Prior period adjustments	-	8,534
(Increase) decrease in assets:		
Accounts receivable	8,497	590
Due from other governments	(900,000)	-
Inventory	5,353	(44,060)
Prepaid costs	(7,371)	(29,024)
Increase (decrease) in liabilities:		
Accounts payable	46,351	(51,573)
Retainage payable	(28,984)	28,984
Accrued salaries	31,949	-
Deposits payable	3,412	1,588
Accrued expenses	(1,497)	1,497
Compensated absences	(2,893)	13,762
Due to other funds	(6,218)	(107,115)
Other post-employment benefits payable	(1,569)	10,357
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,102,769</u>	<u>\$ 705,277</u>

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FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Foresthill Public Utility District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body of establishing governmental accounting and financial reporting principles. As allowed by the GASB, the District has elected to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989 where not in conflict with GASB pronouncements. The more significant of the District's accounting policies are described below.

A. The Reporting Entity

The Foresthill Public Utility District (the District) was formed in 1950 and operates under The Public Utility District Act. The Act confers upon the District the rights and powers to fix rates and charges for commodities or services furnished, to incur indebtedness and issue bonds or other obligations and, under certain circumstances, to levy and collect ad valorem property taxes. The District is governed by a five member Board of Directors elected by the voters within the District.

B. Basis of Presentation

Basis of Presentation - Government-wide Financial Statements: The government-wide financial statements (i.e. the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

Separate financial statements are provided for the Assessment District No. 2 Debt Service governmental fund and District Enterprise proprietary fund.

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

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as deferred revenues until earned. Earned but unbilled water services are accrued as revenue.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when all eligibility requirements are met.

Basis of Presentation-Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds and proprietary funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following governmental fund:

Assessment District No. 2 Debt Service Fund – To account for revenues and expenditures associated with the Assessment District No. 2 bonds.

The District reports the following enterprise fund:

District Enterprise Fund – The District Enterprise Fund is used to account for all revenues and expenses for operation maintenance and capital improvement funding of the Foresthill Public Utility District facilities.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Property Taxes

The District receives property taxes from Placer County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the property's assessed value. They become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

D. Inventories

Inventories have been valued at the lower of cost (first-in, first-out) or market. Inventories consist of materials and supplies.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents, including restrict assets, along with all pooled deposits and investments in the Local Agency Investment Fund, which are available upon demand.

F. Investments

Investments, including LAIF, are stated at fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on stated fair value as represented by the external pool. Investments are within the State statutes and the District's investment policy.

G. Receivables and Payables

Property and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and are considered available if received within 60 days of year end. Federal and state grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of Net Position. The amount recognized as revenue under the modified accrual basis is limited to the amount that is deemed measurable and collectible.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

The District’s estimates the amount of uncollectible receivables based on prior experience and history. At June 30, 2015, the allowance for doubtful accounts were as follows:

	<u>Accounts receivable</u>	<u>Allowance for doubtful accounts</u>	<u>Accounts receivable, net</u>
District Enterprise Fund	<u>\$ 194,960</u>	<u>\$ (5,038)</u>	<u>\$ 189,922</u>

H. Capital Assets

Capital assets, which include land, ponds, buildings and improvements, machinery and equipment, and vehicles are reported in the applicable business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. For certain assets, estimated historical costs are used.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets that range from five to forty years.

It is the District’s policy to capitalize all land and equipment with a cost of \$2,500 or more. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale.

I. Compensated Absences

Vested or accumulated vacation leave and comp time that is expected to be liquidated with expendable available resources is reported as a current liability. Accumulated sick leave is vested upon age sixty.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis to match the operating statements.

K. Restricted Assets

Certain proceeds of the District's long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "reserve" account is used to report resources set aside to make up potential future deficiencies in the bond's debt service.

L. Deferred and Unearned Revenues

Deferred revenues in governmental funds arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the District before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

M. Use of Estimates

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

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Position

The government-wide financial statements utilize a Net Position presentation. Net Position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

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

Restricted Net Position — This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. As of June 30, 2015, the Restricted Net Position consisted of the following:

<u>Fund Type</u>	<u>Amount</u>	<u>Action</u>
District Enterprise Fund:		
Capital reserve	\$ 322,574	Imposed by board designation
Repairs and replacement reserve	<u>410,540</u>	Imposed by board designation
TOTAL RESTRICTED	<u>\$ 733,114</u>	

Unrestricted Net Position — This category represents Net Position of the District not restricted for any project or other purpose.

In the government-wide financial statements, when both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

P. Fund Equity

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies its governmental fund balance as follows:

- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

The committed fund balance is comprised of the following:

<u>Fund Type</u>	<u>Amount</u>	<u>Action</u>
Assessment District No. 2 Debt Service Fund:		
Committed for debt service	<u>\$ 451,019</u>	Imposed by bond indenture

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District uses restricted or committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Q. New Accounting Pronouncements

The City implemented the requirements of GASB Statements No. 68 during the fiscal year ended June 30, 2015.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, provide guidance for accounting and reporting by state and local governments for pension.

NOTE 2 – CASH AND INVESTMENTS

Investments

California statutes authorizes the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 - Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's, bankers acceptance, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF).

Local agency Investment Fund

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

Cash and investments at June 30, 2015 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>TOTALS</u>
Cash and cash equivalents	\$ -	\$ 1,055,170	\$ 1,055,170
Restricted cash and cash equivalents	443,478	1,003,581	1,447,059
TOTAL CASH AND INVESTMENTS	<u>\$ 443,478</u>	<u>\$ 2,058,751</u>	<u>\$ 2,502,229</u>

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments at fair value at June 30, 2015 consist of the following:

	2015	2014
Cash on hand	\$ 250	\$ 250
Clearing account	-	685
Cash pooled with other government	443,478	439,575
Deposits with financial institutions	66,668	163,726
Less: outstanding checks	(14,212)	(4,944)
TOTAL CASH AND DEPOSITS	496,184	599,292
Investments with the Local Agency Investment Fund	1,002,464	1,173,525
Restricted with fiscal agent	1,003,581	257,836
TOTAL INVESTMENTS	2,006,045	1,431,361
TOTAL CASH AND INVESTMENTS	\$ 2,502,229	\$ 2,030,653

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 are the Town's investment policy and actual ratings of the investments as of June 30, 2015:

Credit risk	Type of Investment		Total
	Local agency investment fund	Municipal obligations	
A2	\$ -	\$ 26,932	\$ 26,932
A3	-	25,553	25,553
AA3	-	109,859	109,859
No rating	1,002,464	40,434	1,042,898
	<u>\$ 1,002,464</u>	<u>\$ 202,778</u>	<u>\$ 1,205,242</u>

Concentration of Credit Risk

The investment policy of the District limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code or 50% of total investments, with the exception of U.S. Treasury obligations, U.S. Agency Securities and LAIF. As of June 30, 2015, the District had no individual investment that exceeded 5% of its total investments.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or for amounts held with fiscal agents, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party such as a broker-dealer. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by 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 local amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2015, the carrying amount of the District's deposits was \$52,456 and the balances in financial institutions were \$66,668. Of the balance in financial institutions, the entire was covered by federal depository insurance. The cash pooled with the county totaled \$443,478.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

		Remaing maturity (in months)				
		Total	12 months or less	13-23 months	24-36 months	36-48 months
Local Agency Investment Fund	\$ 1,002,464	\$ 1,002,464	\$ -	\$ -		\$ -
Held by bond trustee:						
Money market savings account	500,410	500,410	-	-	-	-
Taxable municipal bonds	202,778	40,434	-	26,932	135,412	-
Certificates of deposit	300,393	-	-	-	100,208	200,185
TOTAL	\$ 2,006,045	\$ 1,543,308	\$ -	\$ 26,932	\$ 235,620	\$ 200,185

Investment in LAIF

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount at June 30, 2015 invested by all public agencies in LAIF is \$69,641,162,418 managed by the State Treasurer. The investments are as follows:

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

	<u>As a percent of portfolio</u>
Structured notes and medium-term asset backed securities	1.09%
Short-term asset-backed commercial paper	0.77%
All other investments	<u>98.14%</u>
	<u>100.00%</u>

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. Copies of LAIF's annual financial report and other information may be obtained from LAIF at 915 Capitol Mall, Room 110, Sacramento, CA 95814 or at its website www.treasurer.ca.gov/pmia-laif/. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Restricted Cash and Cash Equivalents

At June 30, 2015, the District had set aside the following for special purposes:

Board designated:	
Capital reserve	\$ 322,574
Repair and replacement reserve	<u>410,540</u>
	<u>\$ 733,114</u>

NOTE 3 – CAPITAL ASSETS

The changes in capital assets for the business-type activities for the fiscal year ended June 30, 2015 are as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 36,568	\$ -	\$ -	\$ 36,568
Construction in progress	-	21,252	-	21,252
Intangible assets	-	130,730	-	130,730
	<u>36,568</u>	<u>151,982</u>	<u>-</u>	<u>188,550</u>

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 – CAPITAL ASSETS (continued)

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015
Depreciable capital assets:				
Source of supply	2,722,497	-	-	2,722,497
Pumping plant	31,286	-	-	31,286
Water treatment	1,478,067	6,116	-	1,484,183
Transmission and distribution	7,969,080	1,241	-	7,970,321
General plant	467,026	3,610	-	470,636
	<u>12,667,956</u>	<u>10,967</u>	<u>-</u>	<u>12,678,923</u>
Less: accumulated depreciation				
Source of supply	(673,270)	(54,436)	-	(727,706)
Pumping plant	(21,650)	(344)	-	(21,994)
Water treatment	(1,018,630)	(24,804)	-	(1,043,434)
Transmission and distribution	(3,738,842)	(169,461)	-	(3,908,303)
General plant	(385,363)	(10,711)	-	(396,074)
	<u>(5,837,755)</u>	<u>(259,756)</u>	<u>-</u>	<u>(6,097,511)</u>
CAPITAL ASSETS, NET	<u>\$ 6,866,769</u>	<u>\$ (96,807)</u>	<u>\$ -</u>	<u>\$ 6,769,962</u>

No interest was capitalized into the costs of the additions for the current fiscal year.

NOTE 4 – COMPENSATED ABSENCES

The District provides vacation time which accrues based upon years of service. Vacation is paid for accumulated time upon termination subject to an accumulated maximum of 2 years accrual.

	Years of service		
	0-4	5-14	>14
Vacation time	<u>10 days</u>	<u>15 days</u>	<u>20 days</u>

The District also provides sick time to employees which accrue at a rate of one day per month with a maximum accrual of 80 days. Sick time may be bought back upon retirement after age 60 based upon a years of service tier schedule.

NOTE 5 – LONG-TERM DEBT

The long-term debt activity for the fiscal year ended June 30, 2015 is as follows:

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015	Current portion
GOVERNMENTAL ACTIVITIES:					
<u>Assessment District No. 2 Debt Service Fund:</u>					
1997 Improvement Bonds	\$ 1,075,800	\$ -	\$ (26,400)	\$ 1,049,400	\$ 27,700
1998 Improvement Bonds	1,631,200	-	(37,900)	1,593,300	39,700
TOTAL GOVERNMENTAL	<u>2,707,000</u>	<u>-</u>	<u>(64,300)</u>	<u>2,642,700</u>	<u>67,400</u>

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (continued)

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015	Current portion
BUSINESS-TYPE ACTIVITIES:					
<u>District Enterprise Fund:</u>					
2003 Certificates of Participation	2,195,000	-	(2,195,000)	-	-
2014 Water loan agreement	-	2,081,149	(130,853)	1,950,296	113,763
Less: Unamortized premium	11,812	-	(11,812)	-	-
Add: Unamortized cost of issuance	(113,398)	(72,812)	118,599	(67,611)	-
TOTAL BUSINESS-TYPE	<u>2,093,414</u>	<u>2,008,337</u>	<u>(2,219,066)</u>	<u>1,882,685</u>	<u>113,763</u>
TOTAL LONG-TERM DEBT	<u>\$ 4,800,414</u>	<u>\$2,008,337</u>	<u>\$ (2,283,366)</u>	<u>\$ 4,525,385</u>	<u>\$ 181,163</u>

On February 28, 1996 the District adopted a resolution authorizing the issuance of improvement bonds pursuant to the Improvement Bond Act of 1915. The proceeds of such bonds is to be used to finance the construction of public improvements under the Municipal Improvement Act of 1913. The improvements consisted of two phases – Phase 1 Pipeline Relocation Project and Phase 2 Water System Rehabilitation Project.

Governmental activities:

\$1,364,150 Improvement Bonds – Series 1997: On July 23, 1997 the District issued an improvement bond (Series 1997) for \$1,364,150 to the United States of America Rural Development, United States Department of Agriculture. Principal payments ranging from \$12,350 to \$75,000 are due annually beginning September 2, 1998 through 2036 with interest at 4.875% per annum, payable semi-annually on March 2 and September 2.

\$1,049,400

\$2,031,318 Improvement Bonds – Series 1998: On June 2, 1998 the District issued an improvement bond (Series 1998) for \$2,031,318 to the United States of America Rural Development, United States Department of Agriculture. Principal payments ranging from \$19,118 to \$100,100 are due annually beginning September 2, 1999 through 2037 with interest at 4.75% per annum payable, semi-annually on March 2 and September 2.

1,593,300

Business-type activities:

\$2,081,149 Water Loan: Dated August 1, 2014 to repay the Series 2003QQ, Certificates of Participation that were issued on October 30, 2003 for the finance of the acquisition of water facilities, improvement, and water rights. The note is secured by a pledge the net revenues of the District's. Interest rate accrues at 3.25% per annum with semi-annual principal payments from \$56,881 to \$168,516 through November 1, 2028. The District maintains a Trustee reserve fund equal to the maximum annual installment payable. Interest and principal are payable on May 1 and November 1 of each year.

1,950,296

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (continued)

The future annual maturities of long-term borrowings as of June 30, 2015 are as follows:

Year ending June 30	Governmental activities			Business-type activities	
	Improvement bonds		Total	Series 2014 Water Loan	Total
	1997	1998			
2016	\$ 78,183	\$ 114,439	\$ 192,622	\$ 173,383	\$ 366,005
2017	78,101	114,408	192,509	170,083	362,592
2018	78,053	114,287	192,340	169,458	361,798
2019	78,035	114,270	192,305	173,458	365,763
2020	78,040	114,253	192,293	172,083	364,376
2021 - 2025	389,341	570,141	959,482	853,608	1,813,090
2026 - 2030	388,111	568,509	956,620	684,906	1,641,526
2031 - 2035	386,372	566,444	952,816	-	952,816
2036 - 2040	154,147	338,547	492,694	-	492,694
	1,708,383	2,615,298	4,323,681	2,396,979	6,720,660
Add (less): Interest	(658,983)	(1,021,998)	(1,680,981)	(446,683)	(2,127,664)
	1,049,400	1,593,300	2,642,700	1,950,296	4,592,996
Due within one year	(27,700)	(39,700)	(67,400)	(113,763)	(181,163)
Due after one year	<u>\$ 1,021,700</u>	<u>\$1,553,600</u>	<u>\$2,575,300</u>	<u>\$ 1,836,533</u>	<u>\$4,411,833</u>

NOTE 6 – OBLIGATIONS UNDER CAPITAL LEASE

The District entered in capital lease agreements to finance the purchase of a District office multi-function copier and scanner. Assets under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

The capitalized value of the multi-function machine subject to the capital lease is \$8,711 with accumulated amortization of \$1,742 as of June 30, 2015. The amortization expense is included as part of the total depreciation expense for the District.

The obligations under capital lease activity for the fiscal year ended June 30, 2015 follows:

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015	Current portion
Obligations under capital lease	\$ 4,978	\$ -	\$ (2,217)	\$ 2,761	\$ 2,354

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 – OBLIGATIONS UNDER CAPITAL LEASE (Continued)

Minimum future lease payments under capital leases as of June 30, 2015 are:

	<u>Payments</u>
2016	\$ 2,457
2017	<u>409</u>
	2,866
Less: interest	<u>(105)</u>
Present value	<u>\$ 2,761</u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

Plan administration. The Foresthill Public Utility District's defined benefit pension plan, California Public Employees' Retirement System (CalPERS) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Foresthill Public Utility District is part of the Public Agency portion of CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. The District participates in the Miscellaneous 3% at 60 risk pool. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Foresthill Public Utility District selects optional benefits through state statute and District resolutions.

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 7.761 percent of annual pay, and the average employer's contribution rate is 15.690 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Contributions. The amount of contributions paid by the District totaled \$70,162 for the year ended June 30, 2015.

Pooled Report Format. Since the District's plan has less than 100 active members, it is required to participate in a risk pool.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Benefits provided. CalPERS provides retirement and disability benefits based on two different valuation plans; Classic and PEPRA. Classic members are those employees who were in the CalPERS retirement system before January 1, 2014. PEPRA members are employees who have been hired and added to the CalPERS system subsequent to December 31, 2013. Retirement benefits for Classic plan members are calculated as 3 percent of the member's highest 3-year average salary times the member's years of service. Plan members with 5 years of accumulated service are eligible to retire at age 60. Classic plan members may retire at any age after 30 years of service. PEPRA (Public Employees' Pension Reform Act) employees retirement benefits are calculated at 2% of the Plan members 3-highest years averaged salaries times the number of years of service and are eligible to retire at age 62. All plan members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. A plan member who leaves District service may withdraw his or her contributions, plus any accumulated interest.

Contributions. Classic Participants are required to pay 8% of covered payroll. The Foresthill Public Utility District is required to contribute at the actuarially determined rate necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year ended June 30, 2015 was 16.08% for a contribution of \$70,162.

PEPRA employees are required to pay no less than 50% of the actuarially determined cost of the retirement plan. For the fiscal year ending June 30, 2015, the total actuarially determined cost of retirement for PEPRA participants is 12.5% of payroll. PEPRA participants pay 6.25% of payroll into the plan.

The contribution requirement of plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Pension Plan CAFR. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Actuarial Office, P.O. Box 942709, Sacramento, CA 95814.

Actuarial valuations. For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Measurement period	July 1, 2013 to June 30, 2014
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation rate	2.75%
Projected salary increases	Varies by entry age and service
Investment rate of return	2.75%
Mortality rate table	Derived using CalPERS' Membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term discount rate was determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

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

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows are considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset class	New Strategic Allocation	Real Re-turn Years 1-10	Real Re-turn Years >10
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate		
	1.00% Decrease (6.50%)	Current (7.50%)	1.00% Increase (8.50%)
Plan's net pension liability	\$ 493,108	\$ 279,805	\$ 102,784

Subsequent events. There were no subsequent events that would materially affect the results presented in this disclosure.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Recognition of Gains and Losses. Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss. The periods are as follows:

- Difference between projected and 5 year straight-line amortization actual earnings
 - All other amounts
- Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

A summary of the deferred outflows of resources and deferred inflows of resources are as follows:

	Net increase (decrease) in pension expense (measurement periods)					
	Year ended June 30,					
	2014	2015	2016	2017	2018	Thereafter
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	-	-	-
Differences between projected and actual earnings on pension plan investments	(182,199,413)	(182,199,413)	(182,199,413)	(182,199,413)	(182,199,414)	-
TOTAL	\$ (182,199,413)	\$ (182,199,413)	\$ (182,199,413)	\$ (182,199,413)	\$ (182,199,414)	\$ -

Pension expense and deferred outflows and deferred inflows. For the measurement period ended June 30, 2014 (the measurement date), the District incurred a pension expense/(income) of \$31,480 for the Plan (the pension expense for the risk pool for the measurement period is \$239,824,465).

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

As of June 30, 2014, the District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(91,222)
Adjustment due to differences in proportions	-	(3,327)
TOTAL	\$ -	\$ (94,549)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

<u>Measurement period ended June 30:</u>	<u>Deferred outflows/ (inflows) of resources</u>
2015	\$ (23,993)
2016	(23,993)
2017	(23,756)
2018	(22,807)
2019	-
Thereafter	-

Covered employees. The total number of participants for the 2013-14 measurement period was 122,789. This includes active, inactive, and retired employees.

Changes in the net pension liability. The following table is intended for informational purposes only and is not a required GASB 68 disclosure for employers participating in cost-sharing plans. The table shows the changes in net pension liability recognized over the measurement period for the Miscellaneous Risk Pool.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
Balance at June 30, 2013, valuation date	\$ 12,374,543,647	\$ 9,097,875,216	\$ 3,276,668,431
Changes recognized for the measurement period:			
Service cost	338,829,351	-	338,829,351
Interest on the total pension liability	921,162,366	-	921,162,366
Changes in Benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions from the employers	-	316,207,965	(316,207,965)
Contributions from the employees	-	159,834,203	(159,834,203)
Net investment income	-	1,589,130,702	(1,589,130,702)
Benefit payments, including refunds of employee contributions	(523,586,912)	(523,586,912)	-
Net change for the year	736,404,805	1,541,585,958	(805,181,153)
Balance at June 30, 2014, measurement date	\$ 13,110,948,452	\$ 10,639,461,174	\$ 2,471,487,278

A comparison of the District data to the aggregate data follows:

	Aggregate data Measurement Date June 30, 2014	District data Measurement Date June 30, 2014	Percent of District to Aggregate data
Total pension liability	\$ 13,110,948,452	\$ 1,607,860	0.01226%
Fiduciary net position	10,639,461,174	1,328,055	0.01248%
Net pension liability	\$ 2,471,487,278	\$ 279,805	0.01132%
Additional side fund payments	\$ 29,291,579	\$ -	
Fiduciary net position, net of additional side fund payments	\$ 10,610,169,595	\$ 1,328,055	
Covered - employee payroll		\$ 293,820	
Percentage of net pension liability of covered - employee payroll		95.23%	

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

The plan's proportionate share of the risk pool collective net pension liability over the measurement period follows:

	<u>Plan total pension liability</u>	<u>Plan fiduci- ary net position</u>	<u>Plan net pension liability/ (asset)</u>	<u>Net posi- tion as a % of pension liability</u>	<u>Net pension liability as a percentage of payroll</u>
Valuation date:					
Balance at June 30, 2013	\$ 1,517,551	\$ 1,138,764	\$ 378,787	24.96%	128.92%
Measurement date:					
Balance at June 30, 2014	<u>1,607,860</u>	<u>1,328,055</u>	<u>279,805</u>	17.40%	95.23%
Net changes during 2013-14	<u>\$ 90,309</u>	<u>\$ 189,291</u>	<u>\$ (98,982)</u>		
Covered employee payroll			<u>\$ 293,820</u>		

Plan contributions. The latest available CalPERS data for contributions by the District follows:

	<u>Year ended June 30, 2014</u>
Actuarially determined contribution	\$ 58,897
Contributions in relation to the actuarially determined contribution	<u>(58,897)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	<u>\$ 293,820</u>
Contributions as a percentage of covered-employee payroll	<u>20.05%</u>

NOTE 8 – SECTION 457 PLAN

The District adopted a California PERS Section 457 Deferred Compensation Plan. The District does not contribute to this plan. All contributions and administrative fees are paid by the employees.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District offers medical, dental or other health benefits to eligible retirees and their eligible dependents. The contribution requirements of the plan members and the District are established and may be amended by the District.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Under the current health plan, the District pays for coverage of the retiree and their eligible dependents. To be eligible, employees must retire with the District at age 60 or older or must be permanently disabled. For the year ended June 30, 2015, the District contributed for five retirees that received benefits at a cost of approximately \$45,443.

The District has fewer than 100 plan members and has elected to use the alternative measurement method. The assumptions and methods used are based on past history and experience.

Annual OPEB Cost and Net OPEB Obligation:

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension. The District's ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Healthcare Plan:

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the Plan (as described in the funding policy above as the amortized portion of the Unfunded Actuarial Accrued Liability), and the Net Required Amortized OPEB Obligation for June 30, 2015 is as follows:

Annual required contribution	\$ 40,690
Interest on net OPEB obligation	3,154
Annual required OPEB cost	43,844
Contribution made	(45,443)
Net OPEB obligation, July 1	60,655
Net OPEB obligation, June 30	\$ 59,056

Funded Status and Funding Progress

The Schedule of Funding Status and Progress below is based on an actuarial valuation as of July 28, 2015 the plan's most recent actuarial valuation. The unmet annual net OPEB obligation since the prospective implementation of the GASB Statement 45 shows:

	Valuation Date	Annual OPEB Cost	Actual Employer Contribution	Percentage of annual OPEB cost contributed	Unmet annual net OPEB obligation
June, 2013	January 5, 2011	\$ 74,315	\$ 74,315	100.00%	\$ 50,298
June, 2014	July 28, 2014	57,428	47,071	81.97%	60,655
June, 2015	October 12, 2015	43,844	45,443	103.65%	59,056

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

In the July 28, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.75% investment rate of return, an assumed inflation rate, and an increase in covered payroll at the rate of 3.30% per year. Medical premiums have been assumed to rise at a decreasing rate (from 9% in 2010 to 4.5% in 2017) and dental premiums by 3%.

The OPEB Plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 30 years. The remaining amortization period at June 30, 2015 was 26 years.

NOTE 10 – INTERFUND TRANSACTIONS

Interfund balances for operations as of June 30, 2015 were as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
GOVERNMENTAL ACTIVITIES:		
Assessment District No. 2 Debt Service Fund	\$ 48,234	\$ -
BUSINESS-TYPE ACTIVITIES:		
District Enterprise Fund	-	48,234
TOTALS	<u>\$ 48,234</u>	<u>\$ 48,234</u>

Interfund transfers for operations as of June 30, 2015 were as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
GOVERNMENTAL ACTIVITIES:		
Assessment District No. 2 Debt Service Fund	\$ 100,000	\$ -
BUSINESS-TYPE ACTIVITIES:		
District Enterprise Fund	-	100,000
TOTALS	<u>\$ 100,000</u>	<u>\$ 100,000</u>

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 – RISK OF LOSS

Foresthill Public Utility District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2015 fiscal year, the District purchased certain commercial insurance coverage to provide for these risks with liability limits of \$10,000,000. There have been no significant reduction in coverage from coverage in the prior year and there have not been any settlements that have exceeded the coverage in the past three years.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2015, the date these June 30, 2015 financial statements were available to be issued.

NOTE 13 – COMMITMENTS

The District is in the design phase of a million gallon water storage tank. A contract with an engineering firm totaling \$127,811 was entered into and at year end there was a remaining balance of \$88,191.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2015, the District implemented Government Accounting Standards Board Statement No. 68 - *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. As a result, the net pension liability as of June 30, 2014 in the amount of \$378,757 was recorded with a corresponding reduction of the net position.



SUPPLEMENTAL INFORMATION



FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - BUDGET AND ACTUAL - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015 WITH ACTUAL TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		2015	Variance with	2014
	Original	Final	Actual	Final Budget Positive (Negative)	Actual
OPERATING REVENUES:					
Sales of water	\$1,500,820	\$1,500,820	\$1,412,831	\$ (87,989)	\$1,241,009
Interdistrict water sale	-	-	1,000,000	1,000,000	-
Sugar Pine surcharge	220,000	220,000	208,170	(11,830)	220,767
Rehabilitation and system surcharges	403,000	403,000	425,001	22,001	376,164
Water service related fees	38,500	38,500	14,609	(23,891)	16,813
Other income	5,000	5,000	64,774	59,774	149,954
TOTAL OPERATING REVENUES	2,167,320	2,167,320	3,125,385	958,065	2,004,707
OPERATING EXPENSES:					
Source of supply	51,318	51,318	51,228	(90)	119,900
Pumping	17,894	17,894	18,350	456	18,190
Water treatment	152,594	152,594	162,929	10,335	118,390
Transmission and distribution	289,200	289,200	240,430	(48,770)	205,327
Customer accounts	317,218	317,218	262,432	(54,786)	16,970
Regulatory compliance	286,451	286,451	170,929	(115,522)	23,135
Administration and general	187,503	187,503	263,348	75,845	631,058
Depreciation and amortization	-	-	264,957	264,957	276,228
TOTAL OPERATING EXPENSES	1,302,178	1,302,178	1,434,603	132,425	1,409,198
OPERATING INCOME	865,142	865,142	1,690,782	825,640	595,509
NONOPERATING REVENUES (EXPENSES):					
Interest income	2,000	2,000	8,308	6,308	2,559
Loss on disposition of asset	-	-	-	-	(6,882)
Grant income	-	-	-	-	11,500
Property taxes	78,000	78,000	77,187	(813)	74,452
Will serve fees	18,776	18,776	52,670	33,894	66,862
Interest expense	(114,338)	(114,338)	(173,076)	(58,738)	(114,126)
TOTAL NONOPERATING REVENUES (EXPENSES)	(15,562)	(15,562)	(34,911)	(19,349)	34,365
INCOME BEFORE TRANSFERS	849,580	849,580	1,655,871	806,291	629,874
TRANSFERS:					
Transfer out	(100,094)	-	(100,000)	(100,000)	(100,000)
CHANGE IN NET POSITION	\$ 749,486	\$ 849,580	\$1,555,871	\$ 706,291	\$ 529,874

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF OPERATING EXPENSES - DISTRICT ENTERPRISE FUND FOR THE FISCALS YEAR ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
SOURCE OF SUPPLY		
Supervision and labor	\$ 45,029	\$ 21,573
Materials and supplies	1,238	12,734
Restoration fee	-	18,353
Equipment costs	543	4,892
General engineering services	-	3,583
Contract services	54	10,750
Vehicle expense	-	2,948
Power	4,364	3,431
Inspection and water rights	-	36,883
Other expenses	-	4,753
TOTAL SOURCE OF SUPPLY	<u>51,228</u>	<u>119,900</u>
PUMPING		
Supervision and labor	10,282	8,871
Power	7,839	6,544
Materials and supplies	10	532
Equipment costs	219	804
Propane	-	933
Other expenses	-	506
TOTAL PUMPING	<u>18,350</u>	<u>18,190</u>
WATER TREATMENT		
Supervision and labor	128,426	81,120
Materials and supplies	12,024	7,884
Maintenance	3,243	207
Chemical and analysis	10,880	18,751
Vehicle expense	2,489	3,423
Power	5,076	3,526
Propane	81	587
Utilities	45	269
Other expenses	665	2,623
TOTAL WATER TREATMENT	<u>162,929</u>	<u>118,390</u>
TRANSMISSION AND DISTRIBUTION		
Supervision and labor	186,546	172,639
Materials and supplies	27,737	16,114
Maintenance	8,525	1,996
Vehicle expense	11,768	11,267
Contract services	3,519	2,099
Propane	651	165
Utilities	1,138	676
Other expenses	546	371
TOTAL TRANSMISSION AND DISTRIBUTION	<u>240,430</u>	<u>205,327</u>

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF OPERATING EXPENSES - DISTRICT ENTERPRISE FUND FOR THE FISCALS YEAR ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CUSTOMER ACCOUNTS		
Supervision and labor	233,507	5,407
Materials and supplies	20,163	2,680
Contract services	2,047	5,937
Other expenses	<u>6,715</u>	<u>2,946</u>
TOTAL CUSTOMER ACCOUNTS	<u>262,432</u>	<u>16,970</u>
REGULATORY COMPLIANCE		
Supervision and labor	45,895	3,715
Materials and supplies	385	409
Maintenance	261	243
Chemical and analysis	7,344	1,552
Contract services	74,752	9,109
Restoration fee	22,041	4,571
State Department of Health Services	14,277	-
Other expenses	<u>5,974</u>	<u>3,536</u>
TOTAL REGULATORY COMPLIANCE	<u>170,929</u>	<u>23,135</u>
ADMINISTRATIVE AND GENERAL		
Supervision and labor	84,391	462,078
Materials and supplies	6,901	24,405
Maintenance	-	3,342
Vehicle expense	123	-
Power	2,901	2,535
Propane	317	-
Contract services	107,897	74,300
Utilities	9,074	8,223
Other expenses	<u>51,744</u>	<u>56,175</u>
TOTAL ADMINISTRATIVE AND GENERAL	<u>263,348</u>	<u>631,058</u>
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	<u>\$ 1,169,646</u>	<u>\$ 1,132,970</u>

OTHER REPORTS



BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Foresthill Public Utility District
Foresthill, California

We have audited, in accordance with the 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 governmental activities and the business-type activities of the Foresthill Public Utility District as of and for the year ended June 30, 2015, which collectively comprise the Foresthill Public Utility District's basic financial statements and have issued our report thereon dated September 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foresthill Public Utility 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foresthill Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foresthill Public Utility 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 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 audit 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 Foresthill Public Utility 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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.



October 16, 2015

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**FORESTHILL PUBLIC
UTILITY DISTRICT**

COMMUNICATION WITH THOSE
CHARGED WITH GOVERNANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015



BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
750 F STREET • DAVIS, CA 95616

(530) 756-1735

October 16, 2015

To the Board of Directors, and General Manager
Foresthill Public Utility District

We have audited the financial statements of the governmental activities and the business-type activities of Foresthill Public Utility District for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 23, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Foresthill Public Utility District are described in Note 1 to the financial statements.

As described in Note 1Q to the financial statements, the Foresthill Public Utility District changed accounting policies related to pension accounting and reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, for the fiscal year ended June 30, 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Revenues, Expenses, and Changes in Net Position – District Enterprise Fund.

We noted no transactions entered into by Foresthill Public Utility District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the Government-Wide's financial statements were:

Allowance for doubtful accounts

Management's estimate of the allowance for doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Capital asset lives

Management's estimates of the expected lives of capital assets impacts the computation of the depreciation expense for the year. We evaluated the estimated useful lives of the capital assets for reasonableness and consistency. The resulting depreciation expense computations were reviewed for reasonableness in relation to the financial statements taken as a whole.

Deferred inflows (outflows) of Resources

Management's estimate of the deferred inflows (outflows) of resources is based on evaluations as to whether the resources are available to pay current liabilities or if the District had completed the earning process. We evaluated the key factors and assumptions used to develop the deferred inflows (outflows) of resources balances in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Foresthill Public Utility District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Foresthill Public Utility District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is 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.

We were engaged to report on District Enterprise Fund's Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual and Schedule of Operating Expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine

that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of Foresthill Public Utility District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

