

**FORESTHILL PUBLIC  
UTILITY DISTRICT**

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AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018





**FORESTHILL PUBLIC  
UTILITY DISTRICT**

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**FORESTHILL PUBLIC  
UTILITY DISTRICT**

DISTRICT OFFICIALS

**DISTRICT BOARD OF DIRECTORS**

- *Helen Rogers West* ..... President
- *Neil Cochran* ..... Vice President
- *Linda Cholcher*..... Treasurer
- *Patty Wade* ..... Director
- *Mark Bell*..... Director

**OTHER DISTRICT OFFICIALS**

- *Henry White* ..... General Manager
- *Roger Carroll* ..... Finance Manager



***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 year ended June 30, 2018, 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, 2018, 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**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and schedules related to the unfunded pension liability on pages 46 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other 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 October 19, 2018, 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 19, 2018

# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

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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 year ended June 30, 2018. 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 Government-wide Net Position increased 15.19% or \$1,142,016 to \$8.66 million in fiscal year 2018.
- In 2018, the District's Enterprise Fund's total operating revenues increased 8.17% or \$205,828 from the prior year.
- In 2018, the District's operating expenses before depreciation increased by 15.79% or \$207,567 over the prior year.

### **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).

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-

# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

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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 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 25-45 of this report.

### *REQUIRED SUPPLEMENTARY INFORMATION*

The required supplementary information regarding the funding progress of the District's pension plan can be found starting on page 46 of this report.

# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

### SUPPLEMENTAL INFORMATION

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

### 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 and deferred outflows exceeded liabilities and deferred inflows of resources by \$8.55 million.

The Summary of Net Position is as follows:

	Governmental Activities		Business-type Activities		TOTALS	
	2018	2017	2018	2017	2018	2017
<b>ASSETS:</b>						
Current assets	\$ 2,295	\$ 25,327	\$ 1,382,863	\$ 1,355,945	\$ 1,385,158	\$ 1,381,272
Other noncurrent assets	2,030,647	2,511,108	2,851,418	2,208,302	4,882,065	4,719,410
Capital assets, net	-	-	8,407,875	8,184,593	8,407,875	8,184,593
<b>TOTAL ASSETS</b>	<b>\$ 2,032,942</b>	<b>\$ 2,536,435</b>	<b>\$ 12,642,156</b>	<b>\$ 11,748,840</b>	<b>\$ 14,675,098</b>	<b>\$ 14,285,275</b>
<b>DEFERRED OUTFLOWS:</b>						
Pension payments	\$ -	\$ -	\$ 505,762	\$ 300,806	\$ 505,762	\$ 300,806
<b>LIABILITIES:</b>						
Liabilities due						
after one year	\$ 2,065,906	\$ 2,430,800	\$ 1,918,341	\$ 1,966,832	\$ 3,984,247	\$ 4,397,632
Other liabilities	116,068	112,767	498,616	402,728	614,684	515,495
<b>TOTAL LIABILITIES</b>	<b>\$ 2,181,974</b>	<b>\$ 2,543,567</b>	<b>\$ 2,416,957</b>	<b>\$ 2,369,560</b>	<b>\$ 4,598,931</b>	<b>\$ 4,913,127</b>
<b>DEFERRED INFLOWS:</b>						
Pension receipts	\$ -	\$ -	\$ 17,580	\$ 98,102	\$ 17,580	\$ 98,102
Special assessments to be collected	2,014,796	2,055,435	-	-	2,014,796	2,055,435
<b>TOTAL DEFERRED</b>	<b>\$ 2,014,796</b>	<b>\$ 2,055,435</b>	<b>\$ 17,580</b>	<b>\$ 98,102</b>	<b>\$ 2,032,376</b>	<b>\$ 2,153,537</b>
<b>NET POSITION:</b>						
Investment in capital assets	\$ -	\$ -	\$ 6,859,724	\$ 6,522,036	\$ 6,859,724	\$ 6,522,036
Restricted	-	-	1,553,786	2,119,580	1,553,786	2,119,580
Unrestricted	(2,163,828)	(2,062,567)	2,299,871	940,368	136,043	(1,122,199)
<b>TOTAL NET POSITION</b>	<b>\$(2,163,828)</b>	<b>\$(2,062,567)</b>	<b>\$ 10,713,381</b>	<b>\$ 9,581,984</b>	<b>\$ 8,549,553</b>	<b>\$ 7,519,417</b>

# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

- Total Net Position increased by \$1,030,136 from 2017 to 2018.
- \$6.86 million (80.23%) is invested in 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.
- \$1.55 million (18.17%) 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 2017 to 2018 can be found in the Restricted Net position in the Business-type Activities.
- The remaining unrestricted net position for 2018 is \$136,043, while in 2017 it was a net deficit of \$(1,122,199).

### 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	
	2018	2017	2018	2017	2018	2017
<b>PROGRAM REVENUES:</b>						
Sales of water	\$ -	\$ -	\$ 1,896,981	\$ 1,712,706	\$ 1,896,981	\$ 1,712,706
Sugar Pine surcharge	-	-	213,742	212,801	213,742	212,801
Rehabilitation and system surcharges	-	-	525,376	493,268	525,376	493,268
Water service related fees	-	-	27,172	22,830	27,172	22,830
Other income	-	-	63,219	79,057	63,219	79,057
<b>TOTAL</b>	-	-	2,726,490	2,520,662	2,726,490	2,520,662
<b>PROGRAM EXPENSES:</b>						
Source of supply	-	-	57,246	40,022	57,246	40,022
Pumping	-	-	24,689	20,435	24,689	20,435
Water treatment	-	-	226,932	207,622	226,932	207,622
Transmission and distribution	-	-	333,780	337,684	333,780	337,684
Customer service	-	-	377,583	373,792	377,583	373,792
Regulatory compliance	-	-	198,815	176,412	198,815	176,412
Administration and general	-	17,214	303,157	158,668	303,157	175,882
Depreciation and amortization	-	-	290,689	270,692	290,689	270,692
<b>TOTAL</b>	-	17,214	1,812,891	1,585,327	1,812,891	1,602,541

# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

	Governmental Activities		Business-type Activities		TOTALS	
	2018	2017	2018	2017	2018	2017
<b>NON-OPERATING RE- VENUES (EXPENSES):</b>						
Interest income	851	6,087	26,640	18,549	27,491	24,636
Assessments received	84,273	87,982	-	-	84,273	87,982
Grant income	-	-	10,612	46,349	10,612	46,349
Property taxes	-	-	92,212	87,227	92,212	87,227
Capital facility fees	-	-	115,874	136,967	115,874	136,967
Reimbursements	-	-	21,149	-	21,149	-
Cost of issuance	(111,880)	-	-	-	(111,880)	-
Interest expense	(77,406)	(120,787)	(48,689)	(53,535)	(126,095)	(174,322)
Other revenue	2,901	4,400	-	-	2,901	4,400
<b>TOTAL</b>	(101,261)	(22,318)	217,798	235,557	116,537	213,239
<b>EXCESS (DEFICIENCY) BEFORE TRANSFERS</b>	(101,261)	(39,532)	1,131,397	1,170,892	1,030,136	1,131,360
<b>TRANSFERS</b>						
Transfers in (out)	-	100,000	-	(100,000)	-	-
<b>CHANGE IN NET POSITION</b>	(101,261)	60,468	1,131,397	1,070,892	1,030,136	1,131,360
Net position, July 1	(2,062,567)	(2,123,035)	9,581,984	8,511,092	7,519,417	6,388,057
<b>NET POSITION, JUNE 30</b>	\$(2,163,828)	\$(2,062,567)	\$10,713,381	\$9,581,984	\$8,549,553	\$7,519,417

Governmental Activities and Business-type Activities changed the District's net position by \$(101,261) and \$1,131,397, respectively.

### *REVENUES*

The Governmental Activities total revenues and transfers were \$88,025 and Business-Type Activity revenues were \$2.99 million for the year ended June 30, 2018. This represented a total increase of \$172,779 from 2018.

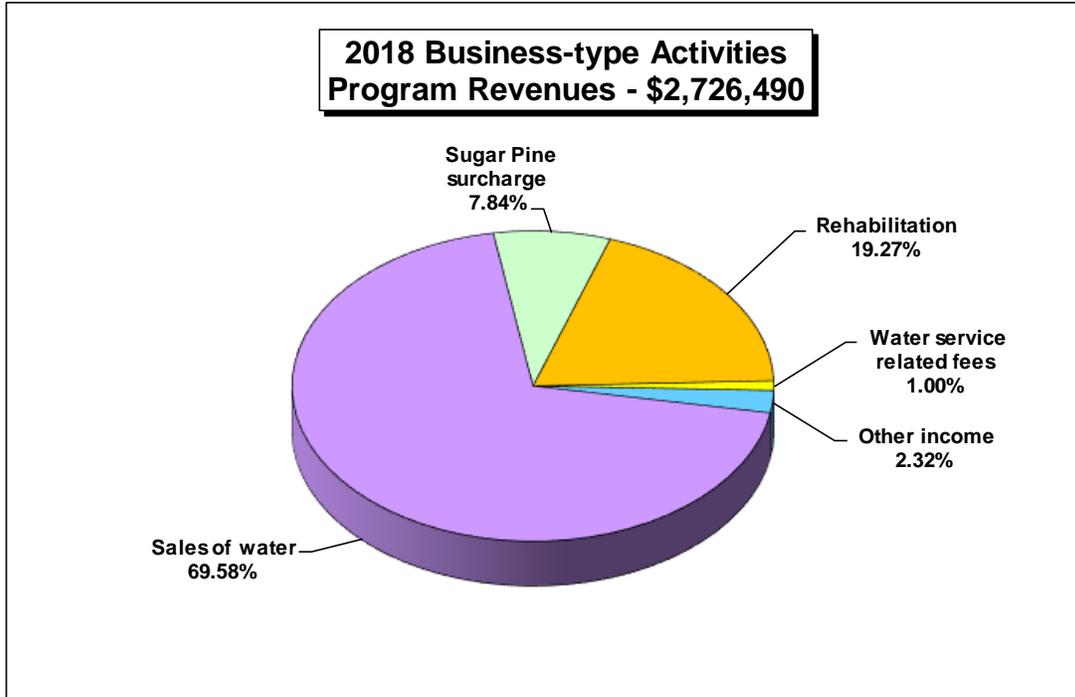
Program revenues include charges for services and grants and contributions. Program revenues provided approximately \$2.73 million for business-type activities.

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$354,512 (11.51% of total revenues). The majority of general revenues came from property taxes, interest income, assessments, and capital facility fees.

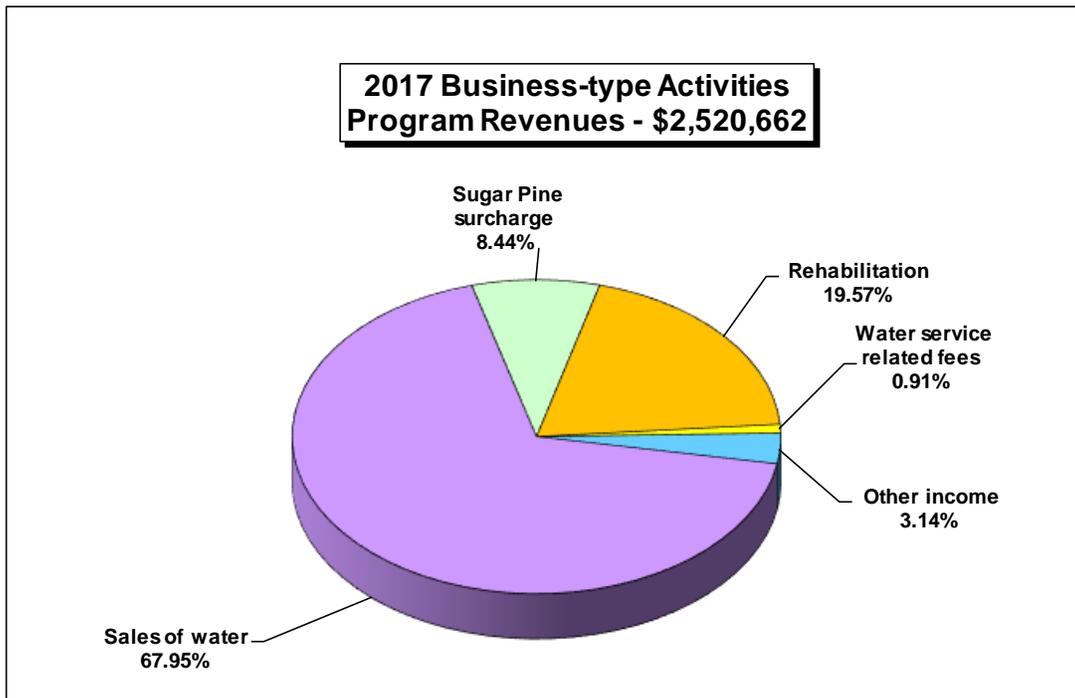
# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

The fiscal year ended June 30, 2018 business-type activities revenues are reflected graphically as follows:



The fiscal year ended June 30, 2017 business-type activities revenues are reflected graphically as follows:



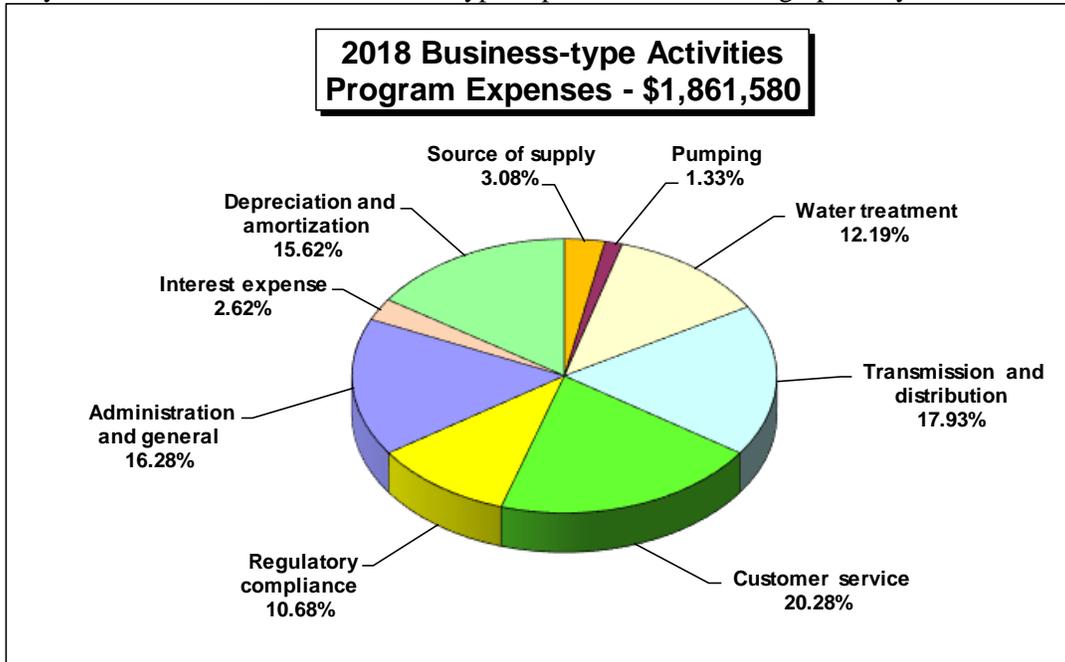
# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

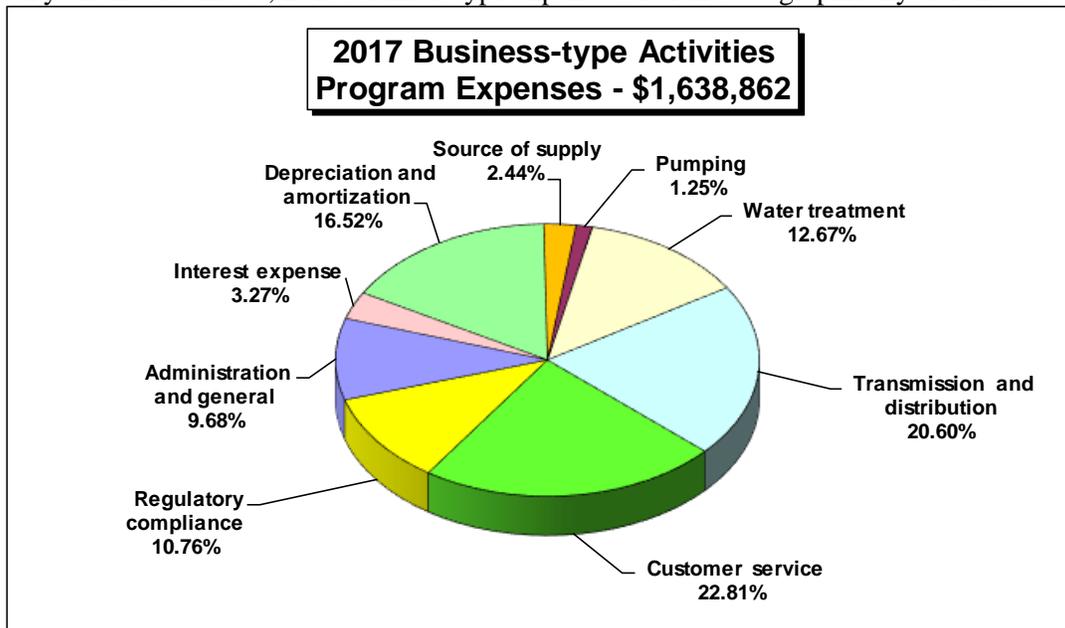
### EXPENSES

Expenses for the District totaled \$2.05 million for the fiscal year ended June 30, 2018. Governmental activities incurred \$189,286 in expenses and business-type activities incurred \$1.86 million in expenses during the year. Business-type activities expenses were 146,46% funded by program revenues.

The fiscal year ended June 30, 2018 business-type expenses are reflected graphically as follows:



The fiscal year ended June 30, 2017 business-type expenses are reflected graphically as follows:



# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

### 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 2017-18, the District's governmental fund reported committed fund balance of \$15,581 for debt service.

### 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

	<u>2018</u>	<u>2017</u>
Capital assets, not being depreciated:		
Land and land rights	\$ 36,568	\$ 36,568
Construction in progress	52,590	1,181,005
Intangible assets - water rights	720,548	720,548
	<u>809,706</u>	<u>1,938,121</u>
Depreciable capital assets:		
Source of supply	1,987,021	1,885,989
Pumping plant	8,259	8,604
Water treatment plant	390,392	414,243
Transmission and distribution	5,150,044	3,877,969
General plant	62,453	59,667
	<u>7,598,169</u>	<u>6,246,472</u>
<b>TOTAL</b>	<u><u>\$ 8,407,875</u></u>	<u><u>\$ 8,184,593</u></u>

The District's investment in capital assets, before the related debt, for its governmental and business-type activities as of June 30, 2018, was \$8.41 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, before the related debt, had a net increase for FY 2017-18 of \$223,282.

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

# FORESTHILL PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2018

### *DEBT ADMINISTRATION*

At the end of FY 2017-18, the District had long-term liabilities of \$2.16 million and \$1.55 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.

	<u>2018</u>	<u>2017</u>
<b>GOVERNMENTAL ACTIVITIES:</b>		
<u>ASSESSMENT DISTRICT NO. 2:</u>		
1997 Improvement bonds	\$ -	\$ 992,700
1998 Improvement bonds	-	1,512,000
2017 Water Revenue bonds	974,306	-
2017 Limited Obligation Refunding bonds	1,190,200	-
<b>TOTAL ASSESSMENT DISTRICT</b>	<u>2,164,506</u>	<u>2,504,700</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>		
<u>FORESTHILL PUBLIC UTILITY DISTRICT:</u>		
2014 Water loan agreement	\$ 1,600,160	\$ 1,719,767
Less: Unamortized cost of issuance	<u>(52,009)</u>	<u>(57,210)</u>
<b>TOTAL PUBLIC UTILITY DISTRICT</b>	<u>1,548,151</u>	<u>1,662,557</u>
<b>TOTAL DEBT</b>	<u><u>\$3,712,657</u></u>	<u><u>\$4,167,257</u></u>

### **GOING FORWARD**

During the new fiscal year, the District will complete its second successful water transfer. The District continues to consider transfers as a sustainable way to fund investments in the public's water system. Spalling repairs on the dam's spillway were completed protecting the spillway and the entire Sugar Pine project. Inspection of the dam and spillway continue to ensure safety of the project. An aged section of steel pipe near Foresthill has been selected for replacement in 2019. The planning necessary for this capital project is currently underway. This project will cost \$2 million and will draw on the reserves the District has been building for this purpose. Work continues to extend the community's water rights and the environmental investigation required for this project is expected to be complete in 2019.

### **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.



**BASIC FINANCIAL STATEMENTS**



# FORESTHILL PUBLIC UTILITY DISTRICT

## GOVERNMENT-WIDE STATEMENT OF NET POSITION AS OF JUNE 30, 2018 AND 2017

	Governmental Activities	Business-type Activities	TOTALS	
			2018	2017
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ 965,683	\$ 965,683	\$ 1,008,596
Receivables:				
Accounts receivable, net	-	270,361	270,361	235,408
Due from other governments	-	-	-	13,849
Interest receivable	-	21,769	21,769	8,987
Prepaid expenses	-	72,367	72,367	59,208
Internal balances	2,295	(2,295)	-	-
Inventory - materials and supplies	-	54,978	54,978	55,224
<b>TOTAL CURRENT ASSETS</b>	<u>2,295</u>	<u>1,382,863</u>	<u>1,385,158</u>	<u>1,381,272</u>
<b>NONCURRENT ASSETS:</b>				
Capital assets, net:				
Nondepreciable	-	809,707	809,707	1,938,122
Depreciable, net	-	7,598,168	7,598,168	6,246,471
<b>TOTAL NONCURRENT ASSETS</b>	<u>-</u>	<u>8,407,875</u>	<u>8,407,875</u>	<u>8,184,593</u>
<b>OTHER ASSETS:</b>				
Assessments receivable	2,014,796	-	2,014,796	2,055,435
Restricted cash and cash equivalents	15,851	2,851,418	2,867,269	2,663,975
<b>TOTAL OTHER ASSETS</b>	<u>2,030,647</u>	<u>2,851,418</u>	<u>4,882,065</u>	<u>4,719,410</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,032,942</u>	<u>\$ 12,642,156</u>	<u>\$ 14,675,098</u>	<u>\$ 14,285,275</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows related to benefits and pensions	\$ -	\$ 505,762	\$ 505,762	\$ 300,806

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>TOTALS</u>	
			<u>2018</u>	<u>2017</u>
<b>LIABILITIES:</b>				
CURRENT LIABILITIES:				
Accounts payable	\$ -	\$ 63,124	\$ 63,124	\$ 48,401
Accrued payroll liabilities	-	16,406	16,406	13,805
Customer deposits	-	49,893	49,893	36,392
Interest payable	17,468	7,868	25,336	47,897
Compensated absences payable	-	142,013	142,013	83,444
Other post-employment benefits payable	-	92,121	92,121	91,914
Long-term debt, due within one year	98,600	127,191	225,791	193,507
<b>TOTAL CURRENT LIABILITIES</b>	<u>116,068</u>	<u>498,616</u>	<u>614,684</u>	<u>515,495</u>
NONCURRENT LIABILITIES, due after one year				
Net pension liability	-	497,381	497,381	423,882
Long-term debt, net of unamortized issuance costs and premiums	2,065,906	1,420,960	3,486,866	3,973,750
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>2,065,906</u>	<u>1,918,341</u>	<u>3,984,247</u>	<u>4,397,632</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,181,974</u>	<u>\$ 2,416,957</u>	<u>\$ 4,598,931</u>	<u>\$ 4,913,127</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows related to pensions	\$ -	\$ 17,580	\$ 17,580	\$ 98,102
Special assessments to be collected	2,014,796	-	2,014,796	2,055,435
<b>TOTAL DEFERRED INFLOWS</b>	<u>2,014,796</u>	<u>17,580</u>	<u>2,032,376</u>	<u>2,153,537</u>
<b>NET POSITION:</b>				
Invested in capital assets, net of related debt	\$ -	\$ 6,859,724	\$ 6,859,724	\$ 6,522,036
Restricted for:				
Capital reserve	-	402,055	402,055	328,804
Repairs and replacement reserve	-	740,000	740,000	1,234,157
Debt service reserve	-	411,731	411,731	556,619
Unrestricted	(2,163,828)	2,299,871	136,043	(1,122,199)
<b>TOTAL NET POSITION</b>	<u>\$ (2,163,828)</u>	<u>\$ 10,713,381</u>	<u>\$ 8,549,553</u>	<u>\$ 7,519,417</u>

# FORESTHILL PUBLIC UTILITY DISTRICT

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 WITH COMPARTIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Operating Expenses	Program Revenues		
		Charges for Services	Grants and other contributions	
			Operating	Capital
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ -	\$ -	\$ -	\$ -
Cost of issuance	111,880			
Interest on long-term debt	77,406	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	189,286	-	-	-
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water utility services and delivery	1,812,891	2,726,490	-	10,612
Interest on long-term debt	48,689	-	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	1,861,580	2,726,490	-	10,612
<b>TOTAL GOVERNMENT</b>	\$ 2,050,866	\$ 2,726,490	\$ -	\$ 10,612

**GENERAL REVENUES:**

- Property taxes
- Interest income
- Assessments received
- Capital facility fees
- Reimbursements
- Other revenue

**TOTAL GENERAL REVENUES**

**EXCESS (DEFICIENCY) BEFORE CONTRIBUTIONS AND TRANSFERS**

**TRANSFERS IN (OUT)**

**CHANGE IN NET POSITION**

Net position, July 1

**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	2018	2017
\$ -		\$ -	\$ (17,214)
(111,880)			
(77,406)		(77,406)	(120,787)
(189,286)		(77,406)	(138,001)
-	\$ 924,211	924,211	981,684
-	(48,689)	(48,689)	(53,535)
-	875,522	875,522	928,149
\$ (189,286)	\$ 875,522	\$ 798,116	\$ 790,148
-	92,212	92,212	87,227
851	26,640	27,491	24,636
84,273	-	84,273	87,982
-	115,874	115,874	136,967
	21,149	21,149	
2,901	-	2,901	4,400
88,025	255,875	343,900	341,212
(101,261)	1,131,397	1,142,016	1,131,360
-	-	-	-
(101,261)	1,131,397	1,142,016	1,131,360
(2,062,567)	9,581,984	7,519,417	6,388,057
\$ (2,163,828)	\$ 10,713,381	\$ 8,661,433	\$ 7,519,417

# FORESTHILL PUBLIC UTILITY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND  
ASSESSMENT DISTRICT NO. 2 DEBT SERVICE FUND  
AS OF JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,851	\$ 455,673
Due from other funds	<u>2,295</u>	<u>25,327</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 18,146</u></u>	<u><u>\$ 481,000</u></u>
<b>LIABILITIES</b>		
Interest payable	\$ 17,468	\$ 38,867
<b>FUND BALANCES</b>		
Committed for debt service	15,851	455,673
Unassigned:		
Debt service fund	<u>(15,173)</u>	<u>(13,540)</u>
	<u><u>\$ 18,146</u></u>	<u><u>\$ 481,000</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 678	\$ 442,133
<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	2,014,796	2,055,435
Deferred revenues	(2,014,796)	(2,055,435)
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	(2,164,506)	(2,504,700)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ (2,163,828)</u>	<u>\$ (2,062,567)</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, 2018 AND 2017

	2018	2017
<b>REVENUES:</b>		
Interest income	\$ 851	6,087
Assessments revenue	84,273	87,982
Other revenues	2,901	4,400
<b>TOTAL REVENUES</b>	<b>88,025</b>	<b>98,469</b>
<b>EXPENDITURES:</b>		
Professional services	-	17,214
Debt services:		
Interest expense	77,406	120,787
Cost of issuance of new refunding debt	111,880	-
Principal payments	63,194	70,600
<b>TOTAL EXPENDITURES</b>	<b>252,480</b>	<b>208,601</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(164,455)</b>	<b>(110,132)</b>
<b>OTHER FINANCING SOURCES:</b>		
Payment to refunded bond escrow agent	(2,556,494)	
Gain on extinguishment of debt	51,794	-
Proceeds from issuance of debt	2,227,700	-
Transfers in	-	100,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>(277,000)</b>	<b>100,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(441,455)</b>	<b>(10,132)</b>
FUND BALANCES, July 1	442,133	452,265
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 678</b>	<b>\$ 442,133</b>

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 FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ (441,455)	\$ (10,132)
 <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	63,194	70,600
Bonds refunded	2,504,700	-
Proceeds from issuance of bonds	(2,227,700)	-
	\$ (101,261)	\$ 60,468
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS</b>		

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 965,683	\$ 1,008,596
Receivables:		
Accounts receivable, net	270,361	235,408
Due from other governments	-	13,849
Interest receivable	21,769	8,987
Prepaid expenses	72,367	59,208
Inventory - materials and supplies	54,978	55,224
	<u>1,385,158</u>	<u>1,381,272</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>NONCURRENT ASSETS:</b>		
Capital assets, net:		
Nondepreciable	809,707	1,938,122
Depreciable, net	7,598,168	6,246,471
	<u>8,407,875</u>	<u>8,184,593</u>
<b>TOTAL NONCURRENT ASSETS</b>		
<b>OTHER ASSETS:</b>		
Restricted cash and cash equivalents	2,851,418	2,208,302
	<u>2,851,418</u>	<u>2,208,302</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows related to pension	505,762	300,806
	<u>505,762</u>	<u>300,806</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,150,213</u>	<u>\$ 12,074,973</u>

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

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES:</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 63,124	\$ 48,401
Accrued payroll liabilities	16,406	13,805
Customer deposits	49,893	36,392
Interest payable	7,868	9,030
Accrued liabilities	-	135
Due to other funds	2,295	25,327
Compensated absences payable	142,013	83,444
Other post-employment benefits payable	92,121	91,914
Long-term debt, due within one year	127,191	119,607
	<u>500,911</u>	<u>428,055</u>
<b>TOTAL CURRENT LIABILITIES</b>		
NONCURRENT LIABILITIES, due after one year		
Net pension liability	497,381	423,882
Long-term debt, net of unamortized issuance costs and premiums	1,420,960	1,542,950
	<u>1,918,341</u>	<u>1,966,832</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows related to pensions	17,580	98,102
	<u>17,580</u>	<u>98,102</u>
<b>TOTAL LIABILITIES</b>		
	<u>\$ 2,436,832</u>	<u>\$ 2,492,989</u>
<b>NET POSITION:</b>		
Invested in capital assets, net of related debt	\$ 6,859,724	\$ 6,522,036
Restricted for:		
Capital reserve	402,055	328,804
Repairs and replacement reserve	740,000	1,234,157
Debt service reserve	411,731	556,619
Unrestricted	2,299,871	940,368
	<u>2,299,871</u>	<u>940,368</u>
<b>TOTAL NET POSITION</b>		
	<u>\$ 10,713,381</u>	<u>\$ 9,581,984</u>

# FORESTHILL PUBLIC UTILITY DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<b>2018</b>	<b>2017</b>
<b>OPERATING REVENUES:</b>		
Sales of water	\$ 1,896,981	\$ 1,712,706
Sugar Pine surcharge	213,742	212,801
Rehabilitation and system surcharges	525,376	493,268
Water service related fees	27,172	22,830
Other income	63,219	79,057
<b>TOTAL OPERATING REVENUES</b>	<b>2,726,490</b>	<b>2,520,662</b>
<b>OPERATING EXPENSES:</b>		
Source of supply	57,246	40,022
Pumping	24,689	20,435
Water treatment	226,932	207,622
Transmission and distribution	333,780	337,684
Customer service	377,583	373,792
Regulatory compliance	198,815	176,412
Administration and general	303,157	158,668
Depreciation and amortization	290,689	270,692
<b>TOTAL OPERATING EXPENSES</b>	<b>1,812,891</b>	<b>1,585,327</b>
<b>OPERATING INCOME</b>	<b>913,599</b>	<b>935,335</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income	26,640	18,549
Grant income	10,612	46,349
Property taxes	92,212	87,227
Capital facility fees	115,874	136,967
Reimbursements	21,149	
Interest expense	(48,689)	(53,535)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>217,798</b>	<b>235,557</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>1,131,397</b>	<b>1,170,892</b>
<b>TRANSFERS:</b>		
Transfer out	-	(100,000)
<b>CHANGE IN NET POSITION</b>	<b>1,131,397</b>	<b>1,070,892</b>
<b>NET POSITION, JULY 1</b>	<b>9,581,984</b>	<b>8,511,092</b>
<b>NET POSITION, JUNE 30</b>	<b>\$ 10,713,381</b>	<b>9,581,984</b>

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, 2018 AND 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 2,718,887	\$ 2,493,093
Cash paid to suppliers	(479,243)	(346,775)
Cash paid to employees and related benefits	(979,907)	(924,617)
Interfund borrowings	(23,032)	(17,322)
	1,236,705	1,204,379
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchases of capital assets	(508,770)	(1,283,705)
Interest paid	(49,851)	(53,814)
Payments on obligations under capital lease	-	(405)
Payments on long-term debt	(119,607)	(116,766)
	(678,228)	(1,454,690)
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>		
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Grant income received	10,612	46,349
Increase in deferred outflows for pension payments	(204,956)	(88,243)
Increase in deferred inflows for pension receipts	(80,522)	(69,299)
Increase in net pension liability	73,499	111,698
Property tax receipts	92,212	87,227
Receipts from capital facility fees	115,874	136,967
Transfers out	21,149	(100,000)
	27,868	124,699
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	13,858	17,354
	13,858	17,354
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	600,203	(108,258)
Cash and cash equivalents, July 1	3,216,898	3,325,156
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	\$ 3,817,101	\$ 3,216,898
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>		
Cash and cash equivalents	\$ 965,683	\$ 1,008,596
Restricted cash with fiscal agent	2,851,418	2,208,302
	\$ 3,817,101	\$ 3,216,898

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

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of operating income from operations to cash provided by operating activities:</b>		
Operating income	\$ 913,599	\$ 935,335
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	290,689	270,692
(Increase) decrease in assets:		
Accounts receivable	(34,953)	(15,970)
Due from other governments	13,849	(13,849)
Inventory	246	(2,167)
Prepaid costs	(13,159)	14,791
Increase (decrease) in liabilities:		
Accounts payable	14,723	(11,351)
Accrued salaries	2,601	2,012
Deposits payable	13,501	2,250
Accrued expenses	(135)	135
Compensated absences	58,569	14,798
Due to other funds	(23,032)	(17,322)
Other post-employment benefits payable	207	25,025
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,236,705</u>	<u>\$ 1,204,379</u>



# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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### 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, 2018

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### 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, 2018

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### 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 restricted 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, 2018

### 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, 2018, 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>\$ 275,553</u>	<u>\$ (5,192)</u>	<u>\$ 270,361</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.

#### 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.

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018

### 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, 2018, the Restricted Net Position consisted of the following:

Fund Type	Amount	Action
District Enterprise Fund:		
Capital reserve	\$ 402,005	Imposed by board designation
Repairs and replacement reserve	740,000	Imposed by board designation
Debt service reserve	411,731	Imposed by board designation
<b>TOTAL RESTRICTED</b>	<b>\$1,553,736</b>	

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:

Fund Type	Amount	Action
Assessment District No. 2 Debt Service Fund:		
Committed for debt service	\$ 15,851	Imposed by loan agreement

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### 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. Reclassifications

Certain amounts for the fiscal year ended June 30, 2017, have been reclassified to conform with the current year's presentation. Such reclassifications did not affect the reported overall balances.

### 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).

Cash and investments at June 30, 2018 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	\$ -	\$ 965,683	\$ 965,683
Restricted cash and cash equivalents	15,851	2,851,418	2,867,269
<b>TOTAL CASH AND INVESTMENTS</b>	<u>\$ 15,851</u>	<u>\$3,817,101</u>	<u>\$3,832,952</u>

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments at fair value at June 30, 2018 consist of the following:

	2018	2017
Cash on hand	\$ 250	\$ 250
Deposits with financial institutions	166,247	153,911
Add: expenses dated subsequent to year end	-	-
Less: outstanding checks	(9,951)	(9,820)
<b>TOTAL CASH AND DEPOSITS</b>	<b>156,546</b>	<b>144,341</b>
Investments with the Local Agency Investment Fund	809,137	864,255
Restricted cash and investments:		
Cash on deposit	503,600	501,915
Cash pooled with other government	15,851	455,673
Brokerage account	2,347,818	1,706,387
<b>TOTAL INVESTMENTS</b>	<b>3,676,406</b>	<b>3,528,230</b>
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 3,832,952</b>	<b>\$ 3,672,571</b>

#### 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 District's investment policy and actual ratings of the investments as of June 30, 2018:

Credit risk	Type of Investment						Total
	Local agency investment fund	Municipal obligations	Taxable Municipal obligations	Foreign Bonds	Corporate Bonds	Certificates of Deposit	
A1	\$ -	\$ -	\$ 79,643	\$ -	\$ 49,064	\$ -	\$ 128,707
A2	-	15,083	194,921	-	73,923	-	283,927
A3	-	10,000	21,000	-	24,632	-	55,632
AA1	-	20,417	25,076	-	24,218	-	69,711
AA2	-	-	174,467	24,699	24,843	-	224,009
AA3	-	-	469,232	-	-	-	469,232
No rating	809,137	-	-	-	-	1,110,382	1,919,519
	<b>\$ 809,137</b>	<b>\$ 45,500</b>	<b>\$ 964,339</b>	<b>\$ 24,699</b>	<b>\$ 196,680</b>	<b>\$ 1,110,382</b>	<b>\$ 3,150,737</b>

#### 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, 2018, 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, 2018

### 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 and 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, 2018, the carrying amount of the District's deposits was \$685,698 and the balances in financial institutions were \$669,847. Of the balance in financial institutions, the \$416,247 was covered by federal depository insurance. The cash pooled with the county totaled \$15,851.

#### 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:

	<u>Remaining maturity (in months)</u>					
	<u>Total</u>	<u>12 months or less</u>	<u>13-23 months</u>	<u>24-36 months</u>	<u>36-48 months</u>	<u>48-60 months</u>
Local Agency Investment Fund	\$ 809,137	\$ 809,137	\$ -	\$ -		\$ -
Held in brokerage account:						
Municipal bonds	45,500	25,083	20,417	-	-	-
Taxable municipal bonds	964,339	254,643	174,897	146,276	308,117	80,406
Foreign bonds	24,699	-	24,699	-	-	-
Corporate bonds	196,680	-	49,479	98,511	48,690	-
Certificates of deposit	1,110,382	-	297,533	393,997	322,580	96,272
<b>TOTAL</b>	<b><u>\$3,150,737</u></b>	<b><u>\$1,088,863</u></b>	<b><u>\$567,025</u></b>	<b><u>\$638,784</u></b>	<b><u>\$679,387</u></b>	<b><u>\$176,678</u></b>

#### Investments by Fair Value Level

In accordance with GASB Statement No. 72, the District's investments in its brokerage account are categorized into the following fair value categories:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the District can access at the year end.
- Level 2 inputs – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs - Unobservable inputs for an asset or liability.

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair value can be determined using the market approach, cost approach, and income approach. The District's brokerage investments are valued with the market approach by using the available quoted market prices at year end.

	Balance as of June 30, 2018	Fair Value Measurements Using		
		Quoted prices in active mar- kets for iden- ticle assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobserv- able inputs (Level 3)
Securities:				
Local agency investment fund	\$ 809,137	\$ 809,137	\$ -	\$ -
Municipal bonds	45,500	45,500	-	-
Taxable municipal bonds	964,339	964,339	-	-
Foreign bonds	24,699	24,699	-	-
Corporate bonds	196,680	196,680	-	-
Certificates of deposit	1,110,382	1,110,382	-	-
<b>TOTAL INVESTMENTS BY FAIR VALUE LEVEL</b>	<b>\$ 3,150,737</b>	<b>\$ 3,150,737</b>	<b>\$ -</b>	<b>\$ -</b>

#### Investment in LAIF

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.

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, 2018 invested by all public agencies in LAIF is \$88,798,232,977 managed by the State Treasurer. The investments are as follows:

	As a percent of portfolio
Structured notes and medium-term asset backed securities	1.89%
Short-term asset-backed commercial paper	0.78%
All other investments	97.33%
	100.00%

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 2 – CASH AND INVESTMENTS (Continued)

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/](http://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.

### NOTE 3 – CAPITAL ASSETS

The changes in capital assets for the business-type activities for the fiscal year ended June 30, 2018 are as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassi- fication</u>	<u>Balance at June 30, 2018</u>
Capital assets, not being depreciated:					
Land	\$ 36,568	\$ -	\$ -	\$ -	\$ 36,568
Construction in progress	1,181,005	52,590	-	(1,181,005)	52,590
Intangible assets	720,549	-	-	-	720,549
	<u>1,938,122</u>	<u>52,590</u>	<u>-</u>	<u>(1,181,005)</u>	<u>809,707</u>
Depreciable capital assets:					
Source of supply	2,722,497	159,479	-	-	2,881,976
Pumping plant	31,286	-	-	-	31,286
Water treatment	1,504,433	-	-	-	1,504,433
Transmission and distribution	8,140,680	283,677	-	1,181,005	9,605,362
General plant	476,919	13,024	-	-	489,943
	<u>12,875,815</u>	<u>456,180</u>	<u>-</u>	<u>1,181,005</u>	<u>14,513,000</u>
Less: accumulated depreciation					
Source of supply	(836,508)	(58,447)	-	-	(894,955)
Pumping plant	(22,682)	(344)	-	-	(23,026)
Water treatment	(1,090,191)	(23,852)	-	-	(1,114,043)
Transmission and distribution	(4,262,711)	(192,607)	-	-	(4,455,318)
General plant	(417,252)	(10,238)	-	-	(427,490)
	<u>(6,629,344)</u>	<u>(285,488)</u>	<u>-</u>	<u>-</u>	<u>(6,914,832)</u>
<b>CAPITAL ASSETS, NET</b>	<u><u>\$8,184,593</u></u>	<u><u>\$ 223,282</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,407,875</u></u>

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

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### 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.

	<u>Years of service</u>		
	<u>0-4</u>	<u>5-14</u>	<u>&gt;14</u>
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, 2018 is as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2018</u>	<u>Current portion</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
<u>Assessment District No. 2 Debt Service Fund:</u>					
1997 Improvement Bonds	\$ 992,700	\$ -	\$ (992,700)	\$ -	\$ -
1998 Improvement Bonds	1,512,000	-	(1,512,000)	-	-
2017 Water Revenue					
Refunding Loan Obligation	-	1,037,500	(63,194)	974,306	56,300
2017 Limited Obligation Refunding Bonds	-	1,190,200	-	1,190,200	42,300
<b>TOTAL GOVERNMENTAL</b>	<u>2,504,700</u>	<u>2,227,700</u>	<u>(2,567,894)</u>	<u>2,164,506</u>	<u>98,600</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
<u>District Enterprise Fund:</u>					
2014 Water loan agreement	1,719,767	-	(119,607)	1,600,160	127,191
Add: Unamortized cost of issuance	(57,210)	-	5,201	(52,009)	-
<b>TOTAL BUSINESS-TYPE</b>	<u>1,662,557</u>	<u>-</u>	<u>(114,406)</u>	<u>1,548,151</u>	<u>127,191</u>
<b>TOTAL LONG-TERM DEBT</b>	<u>\$ 4,167,257</u>	<u>\$ 2,227,700</u>	<u>\$ (2,682,300)</u>	<u>\$ 3,712,657</u>	<u>\$ 225,791</u>

On May 17, 2017, the District adopted Resolution 2017-03 authorizing the issuance of limited obligation refunding bonds and a water revenue refunding loan. The proceeds of such bonds and loan are to be used to refund the prior improvement bonds.

#### Governmental activities:

\$1,190,200 – 2017 Limited Obligation Refunding Bonds: On August 9, 2017 the District issued the 2017 Limited Obligation Refunding Bonds for the refunding of limited obligation improvement bonds. Principal payments ranging from \$42,300 to \$78,700 are due annually beginning September 2, 2018 through 2037 with interest at 3.20% per annum payable, semi-annually on March 2 and September 2.

\$ 1,190,200

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 5 – LONG-TERM DEBT (continued)

\$1,037,500 – 2017 Water Revenue Refunding Loan Obligation: On August 9, 2017 the District issued the 2017 Water Revenue Refunding Loan Obligation for the refunding of limited obligation improvement bonds. Principal payments ranging from \$28,100 to \$85,400 are due semi-annually beginning November 1, 2017 through 2031 with interest at 3.20% per annum, payable semi-annually on May 1 and November 1.

974,306

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.

1,600,160

The future annual maturities of long-term borrowings as of June 30, 2018 are as follows:

Year ending June 30	Governmental activities			Business-type activities	
	2017 Limited Obligation Bonds	2017 Water Revenues Bonds	Total	Series 2014 Water Loan	Total
2019	\$ 79,710	\$ 87,027	\$ 166,737	\$ 173,458	\$ 340,195
2020	81,997	86,814	168,811	172,083	340,894
2021	82,099	86,943	169,042	170,458	339,500
2022	81,953	86,814	168,767	168,583	337,350
2023	82,058	86,723	168,781	171,333	340,114
2024 - 2028	410,065	433,968	844,033	857,139	1,701,172
2029 - 2033	409,024	347,512	756,536	171,001	927,537
2034 - 2038	375,700	-	375,700	-	375,700
	<u>1,602,606</u>	<u>1,215,801</u>	<u>2,818,407</u>	<u>1,884,055</u>	<u>4,702,462</u>
Add (less): Interest	<u>(412,406)</u>	<u>(241,495)</u>	<u>(653,901)</u>	<u>(283,895)</u>	<u>(937,796)</u>
	<u>1,190,200</u>	<u>974,306</u>	<u>2,164,506</u>	<u>1,600,160</u>	<u>3,764,666</u>
Due within one year	<u>(42,300)</u>	<u>(56,300)</u>	<u>(98,600)</u>	<u>(127,191)</u>	<u>(225,791)</u>
Due after one year	<u>\$1,147,900</u>	<u>\$ 918,006</u>	<u>\$2,065,906</u>	<u>\$1,472,969</u>	<u>\$3,538,875</u>

Advance Refunding

On August 1, 2017, the District refunded the existing long-term debt issues: 1997 and 1998 Limited Obligation Improvement Bonds with balances at refunding of \$992,700 and \$1,512,000, respectively. The refunding issues were the 2017 Limited Obligation Refunding Bonds and the 2017 Water Revenue Refunding Loan Obligation in the amounts of \$1,190,200 and \$1,037,500, respectively. The proceeds deposited into an irrevocable escrow account was \$2,556,494.

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 6 – DEFINED BENEFIT PENSION PLAN

#### CalPERS Miscellaneous Pension Plan

#### *Miscellaneous, Cost-Sharing Multiple-Employer Defined Benefit Pension Plans*

##### Plan Description

The District’s Miscellaneous and Safety plans became part of CalPERS Miscellaneous and Safety Risk Pools for employers with less than 100 active plan members. When these risk pools were established, CalPERS assigned each entity in the pool a share of the net pension liability. The Miscellaneous and Safety employees are part of a three-tier cost-sharing multiple–employer defined benefit plan administered by CalPERS. The second tier retirement program provides a lower level of retirement benefits than the first tier. Employees hired on or after January 1, 1982 who meet eligibility requirements, are enrolled in the second tier program.

The third tier program was implemented in January 2013 following the passage of AB340 (PEPRA) by the California Legislature. Employees hired on or after January 1, 2013, who were not previously enrolled in the PERS system elsewhere or who have had a break in service of at least 6 months are required to be enrolled in this retirement program which provides a benefit level that is lower than the first two tiers.

##### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The basic death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The Cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. Benefit provisions and all other requirements are established by State statute and may be amended by District contracts with employee bargaining groups.

The Miscellaneous Rate Plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date:	MISCELLANEOUS PLAN		
	Prior to January 1, 1982 Classic Tier 1	On or after January 1, 1982 Classic Tier 2	On or after January 1, 2013 PEPRA Tier 3
Formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	55	55
Monthly benefits, as a % of annual salary	2%	2%	2%
Required employee contribution rates	6.886%	6.886%	6.250%
Required employer contribution rates	8.88% + \$60,835	8.377% + \$80,664	6.55% + \$10

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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### NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

#### Contributions

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.

Miscellaneous plan participants (tier 1) are required to contribute 7.8311% of their annual covered salary. Miscellaneous tier 3 plan participants are required to contribute 6.25% of their annual covered salary. In addition, the District is required to make an employer contribution at an actuarial determined rate of 12.036% (tier 1) and 6.533% (tier 3) of annual covered payroll for the year ended June 30, 2017. For the year ended June 30, 2018, contributions to the Plan were \$98,676; \$61,987 employer contributions and \$36,689 employee contributions.

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

As of June 30, 2018, the District reported liability of \$497,381 for its proportionate share of the Plan's net pension liability.

The District's net pension liability is measured as the proportionate share of net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability for used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. The District's proportion of the net pension liability based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2017, the District's proportion was 0.01372 percent of the Miscellaneous risk pool; which was a decrease of 0.00018 percent from their proportions measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$147,878. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 739	\$ (10,588)
Changes in assumptions	91,696	(6,992)
Net difference between projected and actual earnings on pension plan investments	20,737	-
Pension contributions made subsequent to measurement date	367,590	-
<b>TOTAL</b>	<b>\$ 480,762</b>	<b>\$ (17,580)</b>

The \$367,590 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement period ended June 30:</b>	<b>Deferred outflows/ (inflows) of resources</b>
2018	\$ 22,237
2019	53,530
2020	32,137
2021	(123,124)
<b>TOTAL</b>	<b>\$ (15,220)</b>

#### Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuation were determined using the following actuarial assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial value of assets
Actuarial assumptions:	
Discount rate	7.00%
Inflation rate	2.625%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.25% net of pension plan investment and administrative expenses
Mortality rate table	Based on the 2010 CalPERS Experience Study

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality, and retirement rates. The Experience Study Report may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 on the next page 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.

Asset class	New Strategic Allocation	Real Re- turn Years 1-10 (a)	Real Re- turn Years >10 (b)
Global equity	51.0%	5.25%	5.71%
Global fixed income	20.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	10.0%	6.83%	6.95%
Real estate	10.0%	4.50%	5.13%
Infrastructure and forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
	100.0%		

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

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

#### Discount Rate

The discount rate used to measure the total pension liability was 7.00 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.

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

Therefore, the current 7.00 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.00 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.

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

The following presents the District’s proportionate share of the net pension liability for the Miscellaneous plan, calculated using the discount rate of 7.00 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 - percentage point lower or 1 - percentage point higher than the current rate:

	Discount Rate		
	1.00% Decrease (6.65%)	Current (7.15%)	1.00% Decrease (8.15%)
Plan's net pension liability	\$ 843,104	\$ 540,849	\$ 290,516

*Pension Plan Fiduciary Net Position* – Detailed information about the pension plans’ fiduciary net position is available in the separately issued CalPERS financial reports.

As of June 30, 2018, the District reported total net pension liability, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety plans as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan	\$(497,381)	\$480,762	\$(17,580)

### NOTE 7 – 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 8 – 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. The plan does not issue stand-alone financial reports.

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 8 – 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, 2018, the District contributed for three retirees that received benefits at a cost of approximately \$11,169. An advance payment of \$25,000 was made on June 18, 2018.

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, 2018 is as follows:

Annual required contribution	\$ 34,893
Interest on net OPEB obligation	<u>1,483</u>
Annual required OPEB cost	36,376
Contribution made	(36,169)
Net OPEB obligation, July 1	<u>91,914</u>
Net OPEB obligation, June 30	<u><u>\$ 92,121</u></u>

#### **Funded Status and Funding Progress**

The Schedule of Funding Status and Progress below is based on an actuarial valuation as of September 24, 2018 the plan's most recent actuarial valuation. The unmet annual net OPEB obligation since the prospective implementation of the GASB Statement 45 shows:

	<u>Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Unmet annual net OPEB obligation</u>
June, 2016	September 20, 2016	\$ 33,531	\$ 25,698	76.64%	\$ 66,889
June, 2017	September 24, 2017	40,025	15,000	37.48%	91,914
June, 2018	October 15, 2018	36,376	36,169	99.43%	92,121

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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.

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.

The actuarial calculations reflect a long-term perspective, and, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the September 24, 2018 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 1.75% investment rate of return, a 4.25% discount rate, and an increase in covered payroll at the rate of 3.30% per year.

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, 2018 was 24 years.

### NOTE 9 – INTERFUND TRANSACTIONS

Interfund balances for operations as of June 30, 2018 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	\$ 2,295	\$ -
BUSINESS-TYPE ACTIVITIES:		
District Enterprise Fund	-	2,295
TOTALS	<u>\$ 2,295</u>	<u>\$ 2,295</u>

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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### **NOTE 10 – 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 2018 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 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 19, 2018, the date these June 30, 2018 financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**





## FORESTHILL PUBLIC UTILITY DISTRICT

### MISCELLANEOUS PLAN, A COST SHARING DEFINED BENEFIT PENSION PLAN SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN FISCAL YEARS\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the net pension liability	0.011320%	0.011379%	0.012202%	0.012617%
Proportionate share of the net pension liability	\$ 279,805	\$ 312,182	\$ 423,882	\$ 497,381
Covered payroll	\$ 396,998	\$ 433,752	\$ 452,791	\$ 618,627
Proportionate share of the net pension liability as a percentage of covered payroll	70.48%	71.97%	93.62%	80.40%
Plan fiduciary net position as a percentage of the total pension liability	17.40%	17.89%	21.18%	22.63%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

\* Fiscal year 2015 was the first year of implementation, therefore, only 4 years are shown.

## **FORESTHILL PUBLIC UTILITY DISTRICT**

MISCELLANEOUS PLAN, A COST SHARING DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS  
LAST TEN FISCAL YEARS\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contributions	\$ 51,680	\$ 73,528	\$ 74,679	\$ 94,915
Contributions in relation to the actuarially determined contribution	<u>(58,224)</u>	<u>(55,783)</u>	<u>(60,898)</u>	<u>(64,424)</u>
Contribution deficiency (excess)	<u>\$ (6,544)</u>	<u>\$ 17,745</u>	<u>\$ 13,781</u>	<u>\$ 30,491</u>
Covered payroll	\$ 311,714	\$ 491,742	\$ 469,596	\$ 587,967
Contributions as a percentage of covered payroll	18.68%	11.34%	12.97%	10.96%

\* Fiscal year 2015 was the first year of implementation, therefore, only 4 years are shown.

# FORESTHILL PUBLIC UTILITY DISTRICT

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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### NOTE 1 - CHANGE IN BENEFIT TERMS

The amounts above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amount to be separately financed employer-specific liabilities.

### NOTE 2 - CHANGE IN ASSUMPTIONS

The discount rate was lowered from 7.50% to 7.00% using a three-year phase-in beginning with the June 30, 2016.

### NOTE 3 - SIGNIFICANT METHODS AND ASSUMPTIONS

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial value of assets
Actuarial assumptions:	
Discount rate	7.00%
Inflation rate	2.625%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.25% net of pension plan investment and administrative expenses
Mortality rate table	Based on the 2010 CalPERS Experience Study

### NOTE 4 - PENSION EXPENSE RECOGNIZED

The pension expense recognized by the employer for the fiscal year ended June 30, 2018 was \$147,878.

### NOTE 5 – PARTICIPANT DATA

The number of members participating in the plan as of June 30, 2017 were as follows:

Number of members:	
Active	6
Transferred	5
Separated	1
Retired	3



**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, 2018  
 WITH ACTUAL TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		2018 Actual	Variance with Final Budget Positive (Negative)	2017 Actual
	Original	Final			
<b>OPERATING REVENUES:</b>					
Sales of water	\$ 1,740,413	\$ 1,740,413	\$ 1,896,981	\$ 156,568	\$ 1,712,706
Sugar Pine surcharge	210,000	210,000	213,742	3,742	212,801
Rehabilitation and system surcharges	491,000	491,000	525,376	34,376	493,268
Water service related fees	52,000	52,000	27,172	(24,828)	22,830
Other income	5,000	5,000	63,219	58,219	79,057
<b>TOTAL OPERATING REVENUES</b>	<b>2,498,413</b>	<b>2,498,413</b>	<b>2,726,490</b>	<b>228,077</b>	<b>2,520,662</b>
<b>OPERATING EXPENSES:</b>					
Source of supply	65,958	65,958	57,246	8,712	40,022
Pumping	32,189	32,189	24,689	7,500	20,435
Water treatment	158,301	158,301	226,932	(68,631)	207,622
Transmission and distribution	243,064	243,064	333,780	(90,716)	337,684
Customer service	448,255	448,255	377,583	70,672	373,792
Regulatory compliance	352,424	352,424	198,815	153,609	176,412
Administration and general	193,156	193,156	303,157	(110,001)	158,668
Depreciation and amortization	-	-	290,689	(290,689)	270,692
<b>TOTAL OPERATING EXPENSES</b>	<b>1,493,347</b>	<b>1,493,347</b>	<b>1,812,891</b>	<b>(319,544)</b>	<b>1,585,327</b>
<b>OPERATING INCOME</b>	<b>1,005,066</b>	<b>1,005,066</b>	<b>913,599</b>	<b>(91,467)</b>	<b>935,335</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	38,000	38,000	26,640	(11,360)	18,549
Grant income	-	-	10,612	10,612	46,349
Property taxes	90,000	90,000	92,212	2,212	87,227
Capital facility fees	18,776	18,776	115,874	97,098	136,967
Reimbursements	-	-	21,149	21,149	-
Interest expense	-	-	(48,689)	(48,689)	(53,535)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>146,776</b>	<b>146,776</b>	<b>217,798</b>	<b>71,022</b>	<b>235,557</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>1,151,842</b>	<b>1,151,842</b>	<b>1,131,397</b>	<b>(20,445)</b>	<b>1,170,892</b>
<b>TRANSFERS:</b>					
Transfer out	(100,000)	(100,000)	-	100,000	(100,000)
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,051,842</b>	<b>\$ 1,051,842</b>	<b>\$ 1,131,397</b>	<b>\$ 79,555</b>	<b>\$ 1,070,892</b>

# FORESTHILL PUBLIC UTILITY DISTRICT

## SCHEDULE OF OPERATING EXPENSES - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<b>2018</b>	<b>2017</b>
<b>SOURCE OF SUPPLY</b>		
Supervision and labor	\$ 50,549	\$ 33,153
Materials and supplies	1,366	1,191
Maintenance	58	-
Contract services	-	675
Power	5,273	4,902
Utilities	-	30
Other expenses	-	71
	<b>57,246</b>	<b>40,022</b>
<b>PUMPING</b>		
Supervision and labor	13,803	10,183
Materials and supplies	116	-
Power	9,198	8,916
Equipment costs	-	662
Propane	1,572	674
	<b>24,689</b>	<b>20,435</b>
<b>WATER TREATMENT</b>		
Supervision and labor	197,933	185,585
Materials and supplies	2,624	1,755
Maintenance	894	663
Chemical and analysis	14,389	9,760
Vehicle expense	3,559	2,335
Power	7,197	7,321
Propane	223	98
Other expenses	113	105
	<b>226,932</b>	<b>207,622</b>
<b>TRANSMISSION AND DISTRIBUTION</b>		
Supervision and labor	267,745	269,737
Materials and supplies	48,532	43,303
Maintenance	5,158	10,209
Vehicle expense	11,020	12,921
Propane	75	72
Utilities	1,082	1,078
Other expenses	168	364
	<b>333,780</b>	<b>337,684</b>
	<b>TOTAL SOURCE OF SUPPLY</b>	<b>TOTAL SOURCE OF SUPPLY</b>

# FORESTHILL PUBLIC UTILITY DISTRICT

## SCHEDULE OF OPERATING EXPENSES - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>CUSTOMER SERVICE</b>		
Supervision and labor	341,684	342,300
Materials and supplies	17,755	16,679
Maintenance	1,450	1,858
Vehicle expense	1,892	28
Contract services	5,974	3,350
Insurance	1,094	-
Power	146	159
Propane	598	640
Utilities	6,802	8,304
Other expenses	188	474
	<b>377,583</b>	<b>373,792</b>
<b>REGULATORY COMPLIANCE</b>		
Supervision and labor	66,102	57,990
Materials and supplies	2,297	1,076
Maintenance	1,942	581
Contract services	91,106	81,571
Utilities	-	33
Restoration fee	20,961	16,466
State Department of Health Services	9,524	12,597
Other expenses	6,883	6,098
	<b>198,815</b>	<b>176,412</b>
<b>ADMINISTRATIVE AND GENERAL</b>		
Supervision and labor	103,333	67,639
Materials and supplies	7,134	8,404
Maintenance	4,624	3,081
Vehicle expense	240	112
Equipment rental	5,412	2,143
Power	2,875	3,083
Propane	262	211
Contract services	125,148	27,896
Insurance	31,877	25,441
Utilities	2,923	1,078
Other expenses	19,329	19,580
	<b>303,157</b>	<b>158,668</b>
	<b>TOTAL OPERATING EXPENSES BEFORE</b>	<b>TOTAL OPERATING EXPENSES BEFORE</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>\$ 1,522,202</b>	<b>\$ 1,314,635</b>

**OTHER REPORTS**



# BOLER & ASSOCIATES

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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, 2018, which collectively comprise the Foresthill Public Utility District's basic financial statements and have issued our report thereon dated October 19, 2018.

### ***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 19, 2018