

**FORESTHILL PUBLIC
UTILITY DISTRICT**

AUDITED FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**



FORESTHILL PUBLIC UTILITY DISTRICT

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UTILITY DISTRICT**

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FORESTHILL PUBLIC UTILITY DISTRICT

DISTRICT OFFICIALS

DISTRICT BOARD OF DIRECTORS

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

OTHER DISTRICT OFFICIALS

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



BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
750 F STREET • DAVIS, CA 95616

(530) 756-1735

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Foresthill Public Utility District, as of and for the years ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2017, 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 30, 2017, 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 30, 2017

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2017

This section of the Foresthill Public Utility District (District) annual financial report presents a narrative overview and analysis of the District's financial activities for the fiscal years ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's Net Position increased 17.98% or \$1,148,574 to \$7.54 million in fiscal year 2017.
- In 2017, the District's total operating revenues increased 6.78% or \$144,139 from the prior year.
- In 2017, the District's operating expenses before depreciation increased by 3.71% or \$43,423 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, 2017

type activities.” The government activities of the Foresthill Public Utility District includes debt service for the improvement bonds. The business-type activity of the District's is the water system.

FUND FINANCIAL STATEMENTS

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

- Governmental Funds; and
- Proprietary Funds

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-45 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, 2017

SUPPLEMENTAL INFORMATION

These schedules are for additional analyses for the District Enterprise Fund and can be found beginning on page 54.

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 \$6.39 million.

The Summary of Net Position is as follows:

TABLE 1
SUMMARY OF NET POSITION
AS OF JUNE 30

	Governmental Activities		Business-type Activities		TOTALS	
	2017	2016	2017	2016	2017	2016
ASSETS:						
Current assets	\$ 25,327	\$ 42,649	\$ 1,355,945	\$ 1,867,507	\$ 1,381,272	\$ 1,910,156
Other noncurrent assets	2,511,108	2,545,659	2,208,302	1,769,286	4,719,410	4,314,945
Capital assets, net	-	-	8,184,593	7,166,379	8,184,593	7,166,379
TOTAL ASSETS	\$ 2,536,435	\$ 2,588,308	\$11,748,840	\$ 10,803,172	\$ 14,285,275	\$ 13,391,480
DEFERRED OUTFLOWS:						
Pension payments	\$ -	\$ -	\$ 300,806	\$ 212,563	\$ 300,806	\$ 212,563
LIABILITIES:						
Liabilities due after one year	\$ 2,430,800	\$ 2,504,700	\$ 1,966,832	\$ 1,969,540	\$ 4,397,632	\$ 4,474,240
Other liabilities	112,767	110,570	402,728	367,702	515,495	478,272
TOTAL LIABILITIES	\$ 2,543,567	\$ 2,615,270	\$ 2,369,560	\$ 2,337,242	\$ 4,913,127	\$ 4,952,512
DEFERRED INFLOWS:						
Pension receipts	\$ -	\$ -	\$ 98,102	\$ 167,401	\$ 98,102	\$ 167,401
Special assessments to be collected	2,096,073	2,096,073	-	-	2,096,073	2,096,073
TOTAL DEFERRED	\$ 2,096,073	\$ 2,096,073	\$ 98,102	\$ 167,401	\$ 2,194,175	\$ 2,263,474
NET POSITION:						
Investment in capital assets	\$ -	\$ -	\$ 6,522,036	\$ 5,391,851	\$ 6,522,036	\$ 5,391,851
Restricted	-	-	2,119,580	1,562,961	2,119,580	1,562,961
Unrestricted	(2,103,205)	(2,123,035)	940,368	1,556,280	(1,162,837)	(566,755)
TOTAL NET POSITION	\$ (2,103,205)	\$ (2,123,035)	\$ 9,581,984	\$ 8,511,092	\$ 7,478,779	\$ 6,388,057

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2017

- Total Net Position increased by \$1,148,574 from 2016 to 2017.
- \$6.52 million (86.74%) in the 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.
- \$2.12 million (28.34%) 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 2016 to 2017 can be found in the Restricted Net position in the Business-type Activities.
- The remaining unrestricted net deficit is \$(1,162,837).

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	
	2017	2016	2017	2016	2017	2016
PROGRAM REVENUES:						
Sales of water	\$ -	\$ -	\$ 1,712,706	\$ 1,518,548	\$ 1,712,706	\$ 1,518,548
Sugar Pine surcharge	-	-	212,801	212,320	212,801	212,320
Rehabilitation and system surcharges	-	-	493,268	464,710	493,268	464,710
Water service related fees	-	-	22,830	24,789	22,830	24,789
Other income	-	-	79,057	49,157	79,057	49,157
TOTAL	-	-	2,520,662	2,269,524	2,520,662	2,269,524
PROGRAM EXPENSES:						
Source of supply	-	-	40,022	36,593	40,022	36,593
Pumping	-	-	20,435	21,245	20,435	21,245
Water treatment	-	-	207,622	190,484	207,622	190,484
Transmission and distribution	-	-	337,684	297,679	337,684	297,679
Customer service	-	-	373,792	350,670	373,792	350,670
Regulatory compliance	-	-	176,412	139,076	176,412	139,076
Administration and general	17,214	-	158,668	177,322	175,882	177,322
Depreciation and amortization	-	-	270,692	271,542	270,692	271,542
TOTAL	17,214	-	1,585,327	1,484,611	1,602,541	1,484,611

FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2017

	Governmental Activities		Business-type Activities		TOTALS	
	2017	2016	2017	2016	2017	2016
NON-OPERATING REVENUES						
(EXPENSES):						
Interest income	6,087	5,439	18,549	39,066	24,636	44,505
Transfer of surplus water	-	-	-	-	-	-
Assessments received	47,344	84,527	-	-	47,344	84,527
Grant income	-	-	46,349	20,000	46,349	20,000
Property taxes	-	-	87,227	84,600	87,227	84,600
Capital facility fees	-	-	136,967	115,874	136,967	115,874
Interest expense	(120,787)	(123,820)	(53,535)	(56,117)	(174,322)	(179,937)
Other revenue	4,400	2,500	-	-	4,400	2,500
TOTAL	(62,956)	(31,354)	235,557	203,423	172,601	172,069
EXCESS (DEFICIENCY)						
BEFORE CONTRIBUTIONS						
AND TRANSFERS	(80,170)	(31,354)	1,170,892	988,336	1,090,722	956,982
TRANSFERS						
Transfers in (out)	100,000	100,000	(100,000)	(100,000)	-	-
CONTRIBUTIONS:						
Donation of capital improvement	-	-	-	37,785	-	-
CHANGE IN NET POSITION	19,830	68,646	1,070,892	926,121	1,090,722	956,982
Net position, July 1	(2,123,035)	(2,191,681)	7,584,971	7,584,971	5,461,936	5,393,290
NET POSITION, JUNE 30	\$ (2,103,205)	\$ (2,123,035)	\$ 8,655,863	\$ 8,511,092	\$ 6,552,658	\$ 6,350,272

Governmental Activities and Business-type Activities increased the District's net position by \$19,830 and \$1,070,892, respectively.

REVENUES

The Governmental Activities total revenues and transfers were \$157,831 and Business-Type Activity revenues were \$2.81 million for the year ended June 30, 2017. This represented a total increase of \$251,138 from 2016.

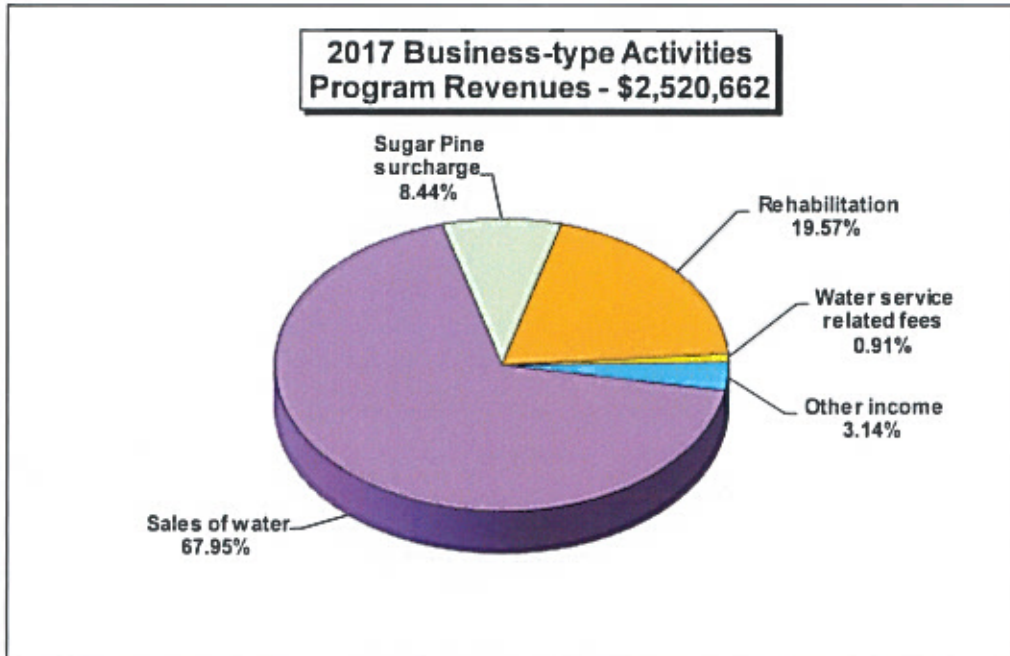
Program revenues include charges for services and grants and contributions. Program revenues provided approximately \$2.52 million for business-type activities.

General revenues include, among other things, taxes, assessments and intergovernmental revenues. General revenues provided \$346,923 (12.10% of total revenues). The majority of general revenues came from property taxes, interest income, assessments, and capital facility fees.

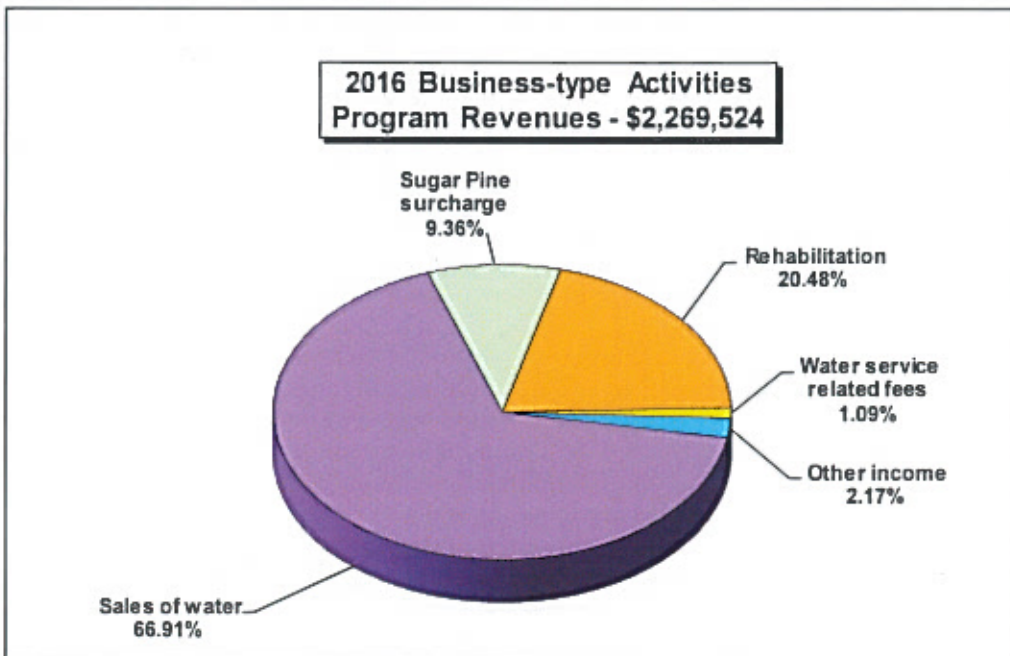
FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2017

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



The fiscal year ended June 30, 2016 business-type activities revenues are reflected graphically as follows:



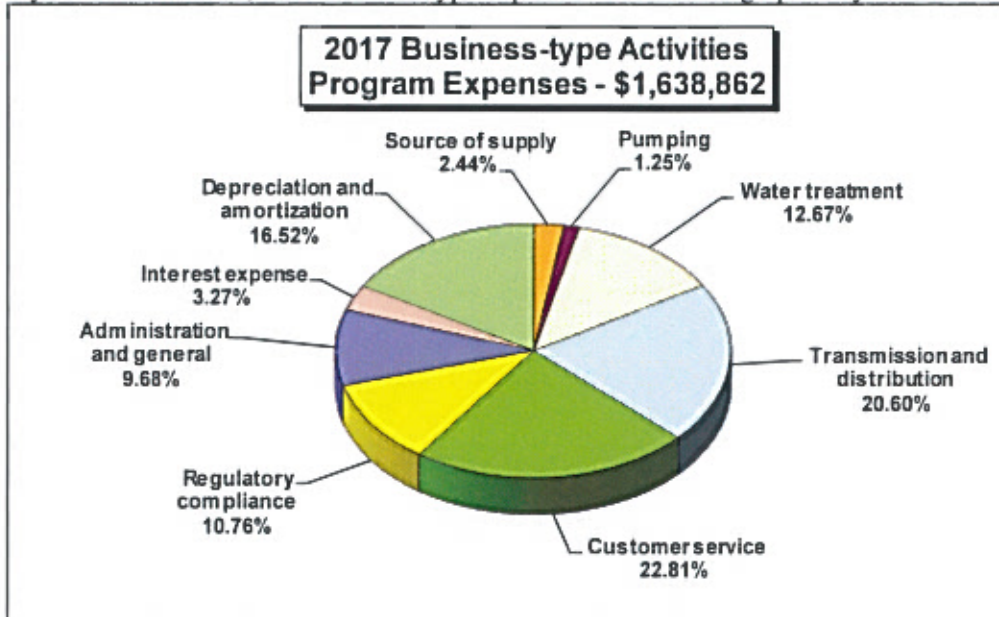
FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2017

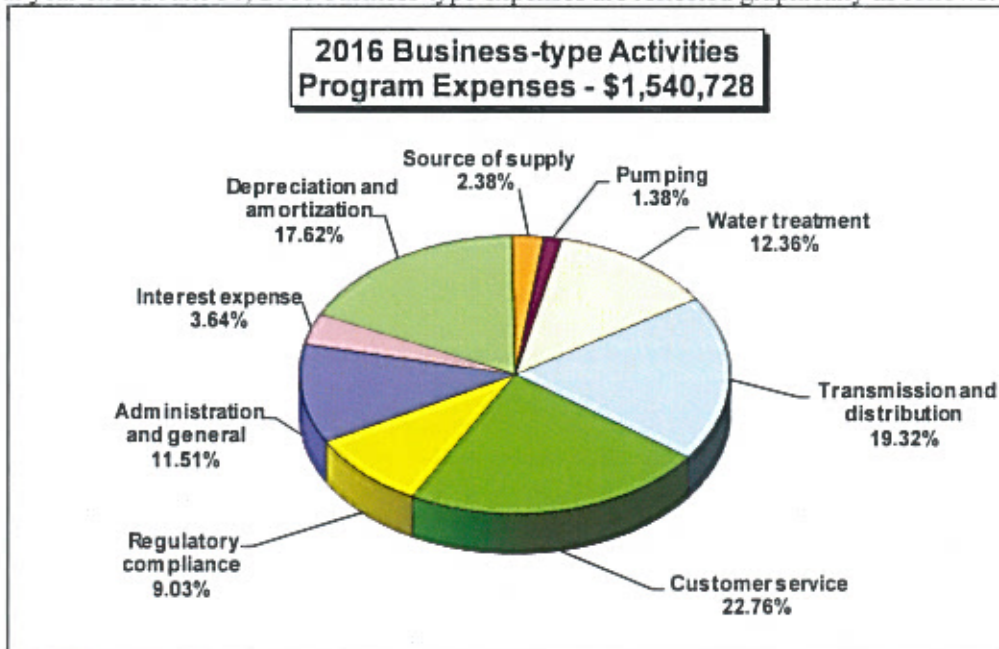
EXPENSES

Expenses for the District totaled \$1.78 million for the fiscal year ended June 30, 2017. Governmental activities incurred \$138,001 in expenses and business-type activities incurred \$1.64 million in expenses during the year. Business-type activities expenses were 153.81% funded by program revenues.

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



The fiscal year ended June 30, 2016 business-type expenses are reflected graphically as follows:



FORESTHILL PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL ENDED JUNE 30, 2017

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 2016-17, the District's governmental fund reported committed fund balance of \$401,495 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>2017</u>	<u>2016</u>
Capital assets, not being depreciated:		
Land and land rights	\$ 36,568	\$ 36,568
Construction in progress	1,181,005	159,131
Intangible assets - water rights	<u>720,548</u>	<u>473,937</u>
	<u>1,938,121</u>	<u>669,636</u>
Depreciable capital assets:		
Source of supply	1,885,989	1,940,355
Pumping plant	8,604	8,948
Water treatment plant	414,243	422,875
Transmission and distribution	3,877,969	4,054,447
General plant	<u>59,667</u>	<u>70,118</u>
	<u>6,246,472</u>	<u>6,496,743</u>
TOTAL	<u>\$ 8,184,593</u>	<u>\$ 7,166,379</u>

The District's investment in capital assets, before the related debt, for its governmental and business-type activities as of June 30, 2017, was \$8.18 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 2016-17 of \$1,130,185.

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, 2017

DEBT ADMINISTRATION

At the end of FY 2015-16, the District had long-term liabilities of \$2.50 million and \$1.66 million for governmental activities and business-type activities, respectively. Additional information about the District's long-term obligations can be found in Notes 5 and 6 in the Notes to the Basic Financial Statements.

TABLE 3
OUTSTANDING DEBT
AS OF JUNE 30

	<u>2017</u>	<u>2016</u>
GOVERNMENTAL ACTIVITIES:		
<u>ASSESSMENT DISTRICT NO. 2:</u>		
1997 Improvement bonds	\$ 992,700	\$ 1,021,700
1998 Improvement bonds	<u>1,512,000</u>	<u>1,553,600</u>
TOTAL ASSESSMENT DISTRICT	<u>2,504,700</u>	<u>2,575,300</u>
BUSINESS-TYPE ACTIVITIES:		
<u>FORESTHILL PUBLIC UTILITY DISTRICT:</u>		
2014 Water loan agreement	\$ 1,719,767	\$ 1,836,533
Less: Unamortized cost of issuance	(57,210)	(62,410)
Obligations under capital lease	<u>-</u>	<u>405</u>
TOTAL PUBLIC UTILITY DISTRICT	<u>1,662,557</u>	<u>1,774,528</u>
TOTAL DEBT	<u>\$ 4,167,257</u>	<u>\$ 4,349,828</u>

GOING FORWARD

The District continues to become more financially stable with each year. Stronger reserves are even more important as the District's infrastructure continues to age. This year saw the completion of the new 1,000,000-gallon storage tank. While there are many projects the District would like to complete, like updating some of the main water lines or replacing some of our older equipment, other issues have pushed themselves to the forefront. Wear has been discovered in the Sugar pine reservoir's concrete spillway. While this "spalling" is not an emergency, failure to fix it could eventually lead to additional damage to the spillway.

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, 2016 AND 2015

	Governmental Activities	Business-type Activities	TOTALS	
			2017	2016
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ -	\$ 1,008,596	\$ 1,008,596	\$ 1,555,870
Receivables:				
Accounts receivable, net	-	235,408	235,408	219,438
Due from other governments	-	13,849	13,849	-
Interest receivable	-	8,987	8,987	7,792
Prepaid expenses	-	59,208	59,208	73,999
Internal balances	25,327	(25,327)	-	-
Inventory - materials and supplies	-	55,224	55,224	53,057
TOTAL CURRENT ASSETS	<u>25,327</u>	<u>1,355,945</u>	<u>1,381,272</u>	<u>1,910,156</u>
NONCURRENT ASSETS:				
Capital assets, net:				
Nondepreciable	-	1,938,122	1,938,122	669,637
Depreciable, net	-	6,246,471	6,246,471	6,496,742
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>8,184,593</u>	<u>8,184,593</u>	<u>7,166,379</u>
OTHER ASSETS:				
Assessments receivable	2,055,435	-	2,055,435	2,096,073
Restricted cash and cash equivalents	455,673	2,208,302	2,663,975	2,218,872
TOTAL OTHER ASSETS	<u>2,511,108</u>	<u>2,208,302</u>	<u>4,719,410</u>	<u>4,314,945</u>
TOTAL ASSETS	<u><u>\$ 2,536,435</u></u>	<u><u>\$11,748,840</u></u>	<u><u>\$ 14,285,275</u></u>	<u><u>\$ 13,391,480</u></u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension payments	<u><u>\$ -</u></u>	<u><u>\$ 300,806</u></u>	<u><u>\$ 300,806</u></u>	<u><u>\$ 212,563</u></u>

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

	Governmental Activities	Business-type Activities	TOTALS	
			2017	2016
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	\$ -	\$ 48,401	\$ 48,401	\$ 59,752
Accrued payroll liabilities	-	13,805	13,805	11,793
Customer deposits	-	36,392	36,392	34,142
Interest payable	38,867	9,030	47,897	49,279
Compensated absences payable	-	83,444	83,444	68,646
Other post-employment benefits payable	-	91,914	91,914	66,889
Obligation under capital lease, due within one year	-	-	-	405
Long-term debt, due within one year	73,900	119,607	193,507	187,366
TOTAL CURRENT LIABILITIES	<u>112,767</u>	<u>402,728</u>	<u>515,495</u>	<u>478,272</u>
NONCURRENT LIABILITIES, due after one year				
Net pension liability	-	423,882	423,882	312,183
Long-term debt, net of unamortized issuance costs and premiums	2,430,800	1,542,950	3,973,750	4,162,057
TOTAL NONCURRENT LIABILITIES	<u>2,430,800</u>	<u>1,966,832</u>	<u>4,397,632</u>	<u>4,474,240</u>
TOTAL LIABILITIES	<u>\$ 2,543,567</u>	<u>\$ 2,369,560</u>	<u>\$ 4,913,127</u>	<u>\$ 4,952,512</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension receipts	\$ -	\$ 98,102	\$ 98,102	\$ 167,401
Special assessments to be collected	2,096,073	-	2,096,073	2,096,073
TOTAL DEFERRED INFLOWS	<u>2,096,073</u>	<u>98,102</u>	<u>2,194,175</u>	<u>2,263,474</u>
NET POSITION:				
Invested in capital assets, net of related debt	\$ -	\$ 6,522,036	\$ 6,522,036	\$ 5,391,851
Restricted for:				
Capital reserve	-	328,804	328,804	269,904
Repairs and replacement reserve	-	1,234,157	1,234,157	1,293,057
Debt service reserve	-	556,619	556,619	-
Unrestricted	(2,103,205)	940,368	(1,162,837)	(566,755)
TOTAL NET POSITION	<u>\$ (2,103,205)</u>	<u>\$ 9,581,984</u>	<u>\$ 7,478,779</u>	<u>\$ 6,388,057</u>

FORESTHILL PUBLIC UTILITY DISTRICT

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Operating Expenses	Program Revenues		
		Charges for Services	Grants and other contributions	
			Operating	Capital
GOVERNMENTAL ACTIVITIES:				
General government	\$ 17,214	\$ -	\$ -	\$ -
Interest on long-term debt	120,787	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	138,001	-	-	-
BUSINESS-TYPE ACTIVITIES:				
Water utility services and delivery	1,585,327	2,520,662	-	46,349
Interest on long-term debt	53,535	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,638,862	2,520,662	-	46,349
TOTAL GOVERNMENT	\$ 1,759,649	\$ 2,520,662	\$ -	\$ 46,349

GENERAL REVENUES:

Property taxes
Interest income
Assessments received
Capital facility fees
Other revenue

TOTAL GENERAL REVENUES

EXCESS (DEFICIENCY) BEFORE CONTRIBUTIONS AND TRANSFERS

TRANSFERS IN (OUT)

CONTRIBUTIONS:

Donation of capital improvement

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	2017	2016
\$ (17,214)		\$ (17,214)	\$ -
<u>(120,787)</u>		<u>(120,787)</u>	<u>(123,820)</u>
<u>(138,001)</u>		<u>(138,001)</u>	<u>(123,820)</u>
-	\$ 981,684	981,684	804,913
<u>-</u>	<u>(53,535)</u>	<u>(53,535)</u>	<u>(56,117)</u>
-	928,149	928,149	748,796
<u>\$ (138,001)</u>	<u>\$ 928,149</u>	<u>\$ 807,362</u>	<u>\$ 624,976</u>
-	87,227	87,227	84,600
6,087	18,549	24,636	44,505
47,344	-	47,344	84,527
-	136,967	136,967	115,874
<u>4,400</u>	<u>-</u>	<u>4,400</u>	<u>2,500</u>
<u>57,831</u>	<u>242,743</u>	<u>300,574</u>	<u>332,006</u>
(80,170)	1,170,892	1,107,936	956,982
100,000	(100,000)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>37,785</u>
19,830	1,070,892	1,107,936	994,767
<u>(2,123,035)</u>	<u>8,511,092</u>	<u>6,388,057</u>	<u>5,393,290</u>
<u>\$ (2,103,205)</u>	<u>\$ 9,581,984</u>	<u>\$ 7,495,993</u>	<u>\$ 6,388,057</u>

FORESTHILL PUBLIC UTILITY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND ASSESSMENT DISTRICT NO. 2 DEBT SERVICE FUND AS OF JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 455,673	\$ 449,586
Interest receivable	-	-
Due from other funds	<u>25,327</u>	<u>42,649</u>
TOTAL ASSETS	<u><u>\$ 481,000</u></u>	<u><u>\$ 492,235</u></u>
LIABILITIES		
Interest payable	\$ 38,867	\$ 39,970
FUND BALANCES		
Committed for debt service	<u>401,495</u>	<u>452,265</u>
	<u><u>\$ 440,362</u></u>	<u><u>\$ 492,235</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 401,495	\$ 452,265
<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	2,055,435	2,096,073
Deferred revenues	(2,055,435)	(2,096,073)
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	(2,504,700)	(2,575,300)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,103,205)</u>	<u>\$ (2,123,035)</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES:		
Interest income	\$ 6,087	5,440
Assessments revenue	47,344	84,527
Other revenues	<u>4,400</u>	<u>2,500</u>
TOTAL REVENUES	<u>57,831</u>	<u>92,467</u>
EXPENDITURES:		
Professional services	17,214	-
Debt services:		
Interest expense	120,787	123,821
Principal payments	<u>70,600</u>	<u>67,400</u>
TOTAL EXPENDITURES	<u>208,601</u>	<u>191,221</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(150,770)</u>	<u>(98,754)</u>
OTHER FINANCING SOURCES:		
Transfers in	<u>100,000</u>	<u>100,000</u>
TOTAL OTHER FINANCING SOURCES	<u>100,000</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCE	(50,770)	1,246
FUND BALANCES, July 1	<u>452,265</u>	<u>451,019</u>
FUND BALANCES, JUNE 30	<u>\$ 401,495</u>	<u>\$ 452,265</u>

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

FORESTHILL PUBLIC UTILITY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (50,770)	1,246
<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	70,600	67,400
CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	<u>\$ 19,830</u>	<u>\$ 68,646</u>

FORESTHILL PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION - DISTRICT ENTERPRISE FUND AS OF JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,008,596	\$ 1,555,870
Receivables:		
Accounts receivable, net	235,408	219,438
Due from other governments	13,849	-
Interest receivable	8,987	7,792
Prepaid expenses	59,208	73,999
Inventory - materials and supplies	<u>55,224</u>	<u>53,057</u>
TOTAL CURRENT ASSETS	<u>1,381,272</u>	<u>1,910,156</u>
NONCURRENT ASSETS:		
Capital assets, net:		
Nondepreciable	1,938,122	669,637
Depreciable, net	<u>6,246,471</u>	<u>6,496,742</u>
TOTAL NONCURRENT ASSETS	<u>8,184,593</u>	<u>7,166,379</u>
OTHER ASSETS:		
Restricted cash and cash equivalents	<u>2,208,302</u>	<u>1,769,286</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension payments	<u>300,806</u>	<u>212,563</u>
TOTAL ASSETS	<u>\$ 12,074,973</u>	<u>\$ 11,058,384</u>

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

	<u>2017</u>	<u>2016</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 48,401	\$ 59,752
Accrued payroll liabilities	13,805	11,793
Customer deposits	36,392	34,142
Interest payable	9,030	9,309
Due to other funds	25,327	42,649
Compensated absences payable	83,444	68,646
Other post-employment benefits payable	91,914	66,889
Obligation under capital lease, due within one year	-	405
Long-term debt, due within one year	<u>119,607</u>	<u>116,766</u>
TOTAL CURRENT LIABILITIES	<u>428,055</u>	<u>410,351</u>
NONCURRENT LIABILITIES, due after one year		
Net pension liability	423,882	312,183
Obligation under capital lease	-	-
Long-term debt, net of unamortized issuance costs and premiums	<u>1,542,950</u>	<u>1,657,357</u>
TOTAL NONCURRENT LIABILITIES	<u>1,966,832</u>	<u>1,969,540</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension receipts	<u>98,102</u>	<u>167,401</u>
TOTAL LIABILITIES	<u>\$ 2,492,989</u>	<u>\$ 2,547,292</u>
NET POSITION:		
Invested in capital assets, net of related debt	\$ 6,522,036	\$ 5,391,851
Restricted for:		
Capital reserve	328,804	269,904
Repairs and replacement reserve	1,234,157	1,293,057
Debt service reserve	556,619	-
Unrestricted	<u>940,368</u>	<u>1,556,280</u>
TOTAL NET POSITION	<u>\$ 9,581,984</u>	<u>\$ 8,511,092</u>

FORESTHILL PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Sales of water	\$ 1,712,706	\$ 1,518,548
Sugar Pine surcharge	212,801	212,320
Rehabilitation and system surcharges	493,268	464,710
Water service related fees	22,830	24,789
Other income	79,057	49,157
TOTAL OPERATING REVENUES	<u>2,520,662</u>	<u>2,269,524</u>
OPERATING EXPENSES:		
Source of supply	40,022	36,593
Pumping	20,435	21,245
Water treatment	207,622	190,484
Transmission and distribution	337,684	297,679
Customer service	373,792	350,670
Regulatory compliance	176,412	139,076
Administration and general	158,668	177,322
Depreciation and amortization	270,692	271,542
TOTAL OPERATING EXPENSES	<u>1,585,327</u>	<u>1,484,611</u>
OPERATING INCOME	<u>935,335</u>	<u>784,913</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	18,549	39,066
Transfer of surplus water	-	-
Grant income	46,349	20,000
Property taxes	87,227	84,600
Capital facility fees	136,967	115,874
Interest expense	(53,535)	(56,117)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>235,557</u>	<u>203,423</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	1,170,892	988,336
TRANSFERS:		
Transfer out	(100,000)	(100,000)
CONTRIBUTIONS:		
Donation of capital improvement	-	37,785
CHANGE IN NET POSITION	1,070,892	926,121
NET POSITION, JULY 1	<u>8,511,092</u>	<u>7,584,971</u>
NET POSITION, JUNE 30	<u><u>\$ 9,581,984</u></u>	<u><u>8,511,092</u></u>

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

FORESTHILL PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 2,493,093	\$ 3,143,582
Cash paid to suppliers	(346,775)	(364,227)
Cash paid to employees and related benefits	(924,617)	(855,647)
Interfund borrowings	(17,322)	(5,585)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,204,379</u>	<u>1,918,123</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(1,283,705)	(662,758)
Interest paid	(53,814)	(57,362)
Payments on obligations under capital lease	(405)	(2,355)
Payments on long-term debt	(116,766)	(113,763)
Donation of capital improvement	-	37,785
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(1,454,690)</u>	<u>(798,453)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant income received	46,349	20,000
Increase in deferred outflows for pension payments	(88,243)	(114,142)
Increase in deferred inflows for pension receipts	(69,299)	72,852
Increase in net pension liability	111,698	32,377
Property tax receipts	87,227	84,600
Receipts from capital facility fees	136,967	115,874
Transfers out	(100,000)	(100,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>124,699</u>	<u>111,561</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	17,354	35,174
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(108,258)	1,266,405
Cash and cash equivalents, July 1	<u>3,325,156</u>	<u>2,058,751</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 3,216,898</u></u>	<u><u>\$ 3,325,156</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 1,008,596	\$ 1,555,870
Restricted cash with fiscal agent	2,208,302	1,769,286
	<u><u>\$ 3,216,898</u></u>	<u><u>\$ 3,325,156</u></u>

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

	<u>2017</u>	<u>2016</u>
Reconciliation of operating income from operations to cash provided by operating activities:		
Operating income	\$ 935,335	\$ 784,913
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	270,692	271,542
(Increase) decrease in assets:		
Accounts receivable	(15,970)	(29,516)
Due from other governments	(13,849)	900,000
Inventory	(2,167)	9,669
Prepaid costs	14,791	(17,700)
Increase (decrease) in liabilities:		
Accounts payable	(11,351)	(9,165)
Accrued salaries	2,012	(20,156)
Deposits payable	2,250	3,574
Accrued expenses	135	-
Compensated absences	14,798	22,744
Due to other funds	(17,322)	(5,585)
Other post-employment benefits payable	25,025	7,803
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,204,379</u></u>	<u><u>\$ 1,918,123</u></u>

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017

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 and 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Property Taxes

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

D. Inventories

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Receivables and Payables

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

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017, 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	\$ 244,980	\$ (9,572)	\$ 235,408

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, 2017

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, 2017

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, 2017, the Restricted Net Position consisted of the following:

<u>Fund Type</u>	<u>Amount</u>	<u>Action</u>
District Enterprise Fund:		
Capital reserve	\$ 269,904	Imposed by board designation
Repairs and replacement reserve	1,293,057	Imposed by board designation
Debt service reserve	<u>556,619</u>	Imposed by board designation
TOTAL RESTRICTED	<u>\$ 2,119,580</u>	

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

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

P. Fund Equity

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

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

The committed fund balance is comprised of the following:

<u>Fund Type</u>	<u>Amount</u>	<u>Action</u>
Assessment District No. 2 Debt Service Fund:		
Committed for debt service	<u>\$ 442,133</u>	Imposed by bond indenture

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2016, 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, 2017 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>TOTALS</u>
Cash and cash equivalents	\$ -	\$ 1,008,596	\$ 1,008,596
Restricted cash and cash equivalents	455,673	2,208,302	2,663,975
TOTAL CASH AND INVESTMENTS	<u>\$ 455,673</u>	<u>\$ 3,216,898</u>	<u>\$ 3,672,571</u>

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments at fair value at June 30, 2017 consist of the following:

	2017	2016
Cash on hand	\$ 250	\$ 250
Cash pooled with other government	455,673	449,586
Deposits with financial institutions	153,911	100,328
Add: expenses dated subsequent to year end	-	17,820
Less: outstanding checks	(9,820)	(4,709)
TOTAL CASH AND DEPOSITS	600,014	563,275
Investments with the Local Agency Investment Fund	864,255	1,442,181
Restricted cash and investments:		
Cash on deposit	501,915	501,163
Brokerage account	1,706,387	1,268,123
TOTAL INVESTMENTS	3,072,557	3,211,467
TOTAL CASH AND INVESTMENTS	\$ 3,672,571	\$ 3,774,742

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, 2017:

Credit risk	Type of Investment						Total
	Local agency investment fund	Municipal obligations	Taxable Municipal obligations	Foreign Bonds	Corporate Bonds	Certificates of Deposit	
A1	\$ -	\$ -	\$ 50,052	\$ -	\$ 50,498	\$ -	\$ 100,550
A2	-	15,670	25,271	-	75,836	-	116,777
A3	-	-	25,137	-	25,208	-	50,345
AA			49,480				
AA1		20,733			24,854		
AA2		-	24,855	25,132	25,359	-	75,346
AA3	-	-	319,782	-	-	-	319,782
BAA1		10,510					
No rating	864,255	-	-	-	-	934,142	1,798,397
	<u>\$ 864,255</u>	<u>\$ 46,913</u>	<u>\$ 494,577</u>	<u>\$ 25,132</u>	<u>\$ 201,755</u>	<u>\$ 934,142</u>	<u>\$ 2,461,197</u>

Concentration of Credit Risk

The investment policy of the District limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code or 50% of total investments, with the exception of U.S. Treasury obligations, U.S. Agency Securities and LAIF. As of June 30, 2017, 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, 2017

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, 2017, the carrying amount of the District's deposits was \$113,439 and the balances in financial institutions were \$100,328. Of the balance in financial institutions, the entire was covered by federal depository insurance. The cash pooled with the county totaled \$449,586.

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:

	Remaining maturity (in months)					
	Total	12 months or less	13-23 months	24-36 months	36-48 months	48-60 months
Local Agency Investment Fund	\$ 864,255	\$ 864,255	\$ -	\$ -		\$ -
Held in brokerage account:						
Municipal bonds	46,913	-	26,180	20,733	-	-
Taxable municipal bonds	494,577	25,271	82,321	141,982	100,524	144,479
Foreign bonds	25,132	-	-	25,132	-	-
Corporate bonds	201,755	-	-	50,567	101,077	50,111
Certificates of deposit	934,142	99,744	-	252,279	352,034	230,085
TOTAL	\$ 2,566,774	\$ 989,270	\$ 108,501	\$ 490,693	\$ 553,635	\$ 424,675

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, 2017

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, 2017	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	\$ 864,255	\$ 864,255	\$ -	\$ -
Municipal bonds	46,913	46,913	-	-
Taxable municipal bonds	494,577	494,577	-	-
Foreign bonds	25,132	25,132	-	-
Corporate bonds	201,755	201,755	-	-
Certificates of deposit	934,142	934,142	-	-
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	\$ 2,566,774	\$ 2,566,774	\$ -	\$ -

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, 2017 invested by all public agencies in LAIF is \$75,442,588,513 managed by the State Treasurer. The investments are as follows:

	<u>As a percent of portfolio</u>
Structured notes and medium- term asset backed securities	1.55%
Short-term asset-backed commercial paper	1.26%
All other investments	97.19%
	<u>100.00%</u>

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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/. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Restricted Cash and Cash Equivalents

At June 30, 2017, the District had set aside the following for special purposes:

Board designated:	
Capital reserve	\$ 269,904
Repair and replacement reserve	1,293,057
Debt service reserve	<u>556,619</u>
	<u>\$ 2,119,580</u>

NOTE 3 – CAPITAL ASSETS

The changes in capital assets for the business-type activities for the fiscal year ended June 30, 2017 are as follows:

	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 36,568	\$ -	\$ -	\$ 36,568
Construction in progress	159,131	1,021,874	-	1,181,005
Intangible assets	<u>473,937</u>	<u>246,612</u>	<u>-</u>	<u>720,549</u>
	<u>669,636</u>	<u>1,268,486</u>	<u>-</u>	<u>1,938,122</u>
Depreciable capital assets:				
Source of supply	2,722,497	-	-	2,722,497
Pumping plant	31,286	-	-	31,286
Water treatment	1,489,213	15,220	-	1,504,433
Transmission and distribution	8,140,680	-	-	8,140,680
General plant	<u>476,919</u>	<u>-</u>	<u>-</u>	<u>476,919</u>
	<u>12,860,595</u>	<u>15,220</u>	<u>-</u>	<u>12,875,815</u>
Less: accumulated depreciation				
Source of supply	(782,142)	(54,366)	-	(836,508)
Pumping plant	(22,338)	(344)	-	(22,682)
Water treatment	(1,066,339)	(23,852)	-	(1,090,191)
Transmission and distribution	(4,086,233)	(176,478)	-	(4,262,711)
General plant	<u>(406,800)</u>	<u>(10,452)</u>	<u>-</u>	<u>(417,252)</u>
	<u>(6,363,852)</u>	<u>(265,492)</u>	<u>-</u>	<u>(6,629,344)</u>
CAPITAL ASSETS, NET	<u>\$ 7,166,379</u>	<u>\$ 1,018,214</u>	<u>\$ -</u>	<u>\$ 8,184,593</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, 2017

NOTE 4 – COMPENSATED ABSENCES

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

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

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, 2017 is as follows:

	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017	Current portion
GOVERNMENTAL ACTIVITIES:					
<u>Assessment District No. 2 Debt Service Fund:</u>					
1997 Improvement Bonds	\$ 1,021,700	\$ -	\$ (29,000)	\$ 992,700	\$ 30,400
1998 Improvement Bonds	1,553,600	-	(41,600)	1,512,000	43,500
TOTAL GOVERNMENTAL	2,575,300	-	(70,600)	2,504,700	73,900
BUSINESS-TYPE ACTIVITIES:					
<u>District Enterprise Fund:</u>					
2014 Water loan agreement	1,836,533	-	(116,766)	1,719,767	119,607
Add: Unamortized cost of issuance	(62,410)	-	5,200	(57,210)	-
TOTAL BUSINESS-TYPE	1,774,123	-	(111,566)	1,662,557	119,607
TOTAL LONG-TERM DEBT	\$ 4,349,423	\$ -	\$ (182,166)	\$ 4,167,257	\$ 193,507

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

Governmental activities:

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

\$ 992,700

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 – LONG-TERM DEBT (continued)

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

1,512,600

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.

1,719,767

The future annual maturities of long-term borrowings as of June 30, 2017 are as follows:

Year ending June 30	Governmental activities			Business -type activities	
	Improvement bonds			Series 2014 Water Loan	
	1997	1998	Total	Loan	Total
2018	\$ 78,053	\$ 114,287	\$ 192,340	\$ 172,923	\$ 365,263
2019	78,035	114,271	192,306	177,042	369,348
2020	78,040	114,252	192,292	175,853	368,145
2021	77,968	114,130	192,098	170,458	362,556
2022	77,916	114,098	192,014	168,583	360,597
2023 - 2027	388,856	569,557	958,413	856,971	1,815,384
2028 - 2032	387,502	567,767	955,269	342,503	1,297,772
2033 - 2037	385,729	565,374	951,103	-	951,103
2038 - 2042	-	112,715	112,715	-	112,715
	1,552,099	2,386,451	3,938,550	2,064,333	6,002,883
Add (less): Interest	(559,399)	(874,451)	(1,433,850)	(344,566)	(1,778,416)
	992,700	1,512,000	2,504,700	1,719,767	4,224,467
Due within one year	(30,400)	(43,500)	(73,900)	(119,607)	(193,507)
Due after one year	\$ 962,300	\$1,468,500	\$2,430,800	\$ 1,600,160	\$4,030,960

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 – OBLIGATIONS UNDER CAPITAL LEASE

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

The capitalized value of the multi-function machine subject to the capital lease is \$8,711 with accumulated amortization of \$3,484 as of June 30, 2017. The amortization expense is included as part of the total depreciation expense for the District.

The obligations under capital lease activity for the fiscal year ended June 30, 2017 follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2017</u>
Obligations under capital lease	\$ 405	\$ -	\$ (405)	\$ -

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date), the active employee contribution rate is 8.00 percent of annual pay, and the average employer's contribution rate is 12.036 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Contributions. The amount of contributions paid by the District totaled \$85,764 for the year ended June 30, 2017. The employer contribution was \$51,854 and the employee contributions paid by the employer \$33,310.

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

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

Contributions. Classic Participants are required to pay 8.00% of covered payroll. The Foresthill Public Utility District is required to contribute at the actuarially determined rate necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year ended June 30, 2017 was 12.036% for a contribution of \$51,584.

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

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

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

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Measurement period	July 1, 2015 to June 30, 2016
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial value of assets
Actuarial assumptions:	
Inflation rate	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses
Mortality rate table	The probabilities of mortality are based on the 2010 CalPRES Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.
Retirement age	The probabilities of retirement are based on the 2010 CalPRES Experience Study for the period from 1997 to 2007.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Fiduciary net position. The plan's fiduciary net position has been determined on the same basis as the plan.

Discount rate. The discount rate used to measure the total pension liability was 7.65 percent at the measurement date of June 30, 2016. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 – DEFINED BENEFIT PENSION PLAN (Continued)

	Discount Rate		
	1.00% Decrease (6.65%)	Current (7.65%)	1.00% Decrease (8.65%)
Plan's net pension liability	\$ 752,297	\$ 482,869	\$ 260,200

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

Payable to plan at June 30, 2017. There were no amounts payable to the Plan from the District at June 30, 2017.

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

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

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

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

Pension expense. The recognized pension expense for the fiscal year ended June 30, 2017 was \$61,066

Covered employees. The total number of participants for the June 30, 2016 measurement period was 127,009. This includes active, inactive, and retired employees.

NOTE 8 – SECTION 457 PLAN

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

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District offers medical, dental or other health benefits to eligible retirees and their eligible dependents. The contribution requirements of the plan members and the District are established and may be amended by the District. The plan does not issue stand-alone financial reports.

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, 2017, the District contributed for three retirees that received benefits at a cost of approximately \$25,698.

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, 2017 is as follows:

Annual required contribution	\$ 38,393
Interest on net OPEB obligation	<u>1,632</u>
Annual required OPEB cost	40,025
Contribution made	(15,000)
Net OPEB obligation, July 1	<u>66,889</u>
Net OPEB obligation, June 30	<u>\$ 91,914</u>

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Funded Status and Funding Progress

The Schedule of Funding Status and Progress below is based on an actuarial valuation as of September 24, 2017 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, 2015	October 12, 2015	\$ 43,844	\$ 45,443	103.65%	\$ 59,056
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

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

The OPEB Plan's unfunded actuarial liability is being amortized by level percent of payroll contributions over 30 years. The remaining amortization period at June 30, 2017 was 25 years.

FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 – INTERFUND TRANSACTIONS

Interfund balances for operations as of June 30, 2017 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	\$ 25,327	\$ -
BUSINESS-TYPE ACTIVITIES:		
District Enterprise Fund	-	25,327
TOTALS	<u>\$ 25,327</u>	<u>\$ 25,327</u>

Interfund transfers for operations as of June 30, 2017 were as follows:

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

NOTE 11 – RISK OF LOSS

Foresthill Public Utility District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2017 fiscal year, the District purchased certain commercial insurance coverage to provide for these risks with liability limits of \$10,000,000. There have been no significant reduction in coverage from coverage in the prior year and there have not been any settlements that have exceeded the coverage in the past three years.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2017, the date these June 30, 2017 financial statements were available to be issued.

NOTE 13 – COMMITMENTS

The District is completing the construction of a million gallon water storage tank. The contract balance as of June 30, 2017, follows:

	<u>Contract amount</u>	<u>Costs incurred</u>	<u>Remaining balance</u>
Construction contract	<u>\$ 1,012,174</u>	<u>\$ 832,816</u>	<u>\$ 179,358</u>

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF CHANGES IN AGGREGATE NET PENSION LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT PERIOD ENDED JUNE 30 LAST TEN FISCAL YEARS*

	Measurement period:	2014	2015	2016
TOTAL PENSION LIABILITY, July 1		<u>\$ 12,374,543,647</u>	<u>\$ 13,110,948,452</u>	<u>\$ 13,639,503,084</u>
Service cost		338,829,351	335,248,541	342,270,235
Interest on Total Pension Liability		921,162,366	977,551,637	1,032,800,538
Changes in benefit terms		-	485,762	1,070,612
Changes in assumptions		-	(242,065,946)	-
Difference between expected and actual experience		-	25,585,821	(3,805,440)
Benefit payment, including refunds of employee contributions		<u>(523,586,912)</u>	<u>(568,251,183)</u>	<u>(614,485,499)</u>
NET CHANGE IN TOTAL PENSION LIABILITY		<u>736,404,805</u>	<u>528,554,632</u>	<u>757,850,446</u>
TOTAL PENSION LIABILITY, JUNE 30		<u>13,110,948,452</u>	<u>13,639,503,084</u>	<u>14,397,353,530</u>
PLAN FIDUCIARY NET POSITION, July 1		<u>\$ 9,097,875,216</u>	<u>\$ 10,639,461,174</u>	<u>\$ 10,896,036,068</u>
Contributions - employer		316,207,965	376,902,997	406,781,720
Contributions - employee		159,834,203	154,112,658	160,736,159
Net investment income		1,589,130,702	240,587,946	57,319,044
Benefit payment, including refunds of employee contributions		<u>(523,586,912)</u>	<u>(568,251,183)</u>	<u>(614,485,499)</u>
Net plan to plan resource movement		-	65,452,197	23,835,877
Administrative expense		<u>-</u>	<u>(12,229,721)</u>	<u>(6,747,082)</u>
NET CHANGES IN FIDUCIARY NET POSITION		<u>1,541,585,958</u>	<u>256,574,894</u>	<u>27,440,219</u>
PLAN FIDUCIARY NET POSITION, JUNE 30		<u>10,639,461,174</u>	<u>10,896,036,068</u>	<u>10,923,476,287</u>
PLAN NET PENSION LIABILITY/(ASSET)		<u><u>\$ 2,471,487,278</u></u>	<u><u>\$ 2,743,467,016</u></u>	<u><u>\$ 3,473,877,243</u></u>
<u>RATIOS:</u>				
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		<u>81.15%</u>	<u>79.89%</u>	<u>75.87%</u>
Covered-employee payroll		<u>\$ 3,268,432,750</u>	<u>\$ 3,356,288,355</u>	<u>(unavailable)</u>
PLAN NET PENSION LIABILITY/(ASSET) AS A PERCENTAGE OF THE COVERED EMPLOYEE PAYROLL		<u>75.62%</u>	<u>81.74%</u>	

* GASB Statement No. 68 was implemented during the fiscal year ended June 30, 2015. No information was available prior to this date.

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS*

	Measurement date:	June 30, 2014	
	Aggregate data	District data	Percent of
	Pool balance	Foresthill Public Utility District	District to Aggregate data
MISCELLANEOUS RISK POOL:			
Total pension liability	\$ 13,110,948,452	\$ 1,607,860	0.01226%
Fiduciary net position	10,639,461,174	1,328,055	0.01248%
Net pension liability	\$ 2,471,487,278	\$ 279,805	0.01132%
Additional side fund payments	\$ 29,291,579	\$ -	
Fiduciary net position, net of additional side fund payments	\$ 10,610,169,595	\$ 1,328,055	
Covered - employee payroll		\$ 293,820	
Proportionate share of the net pension liability as a percentage of covered - employee payroll		95.23%	

* GASB Statement No. 68 was implemented during the fiscal year ended June 30, 2015. No information was available prior to this date.

June 30, 2015			June 30, 2016		
<u>Aggregate data</u>	<u>District data</u>	<u>Percent of</u>	<u>Aggregate data</u>	<u>District data</u>	<u>Percent of</u>
<u>Pool</u>	<u>Foresthill</u>	<u>District to</u>	<u>Pool</u>	<u>Foresthill</u>	<u>District to</u>
<u>balance</u>	<u>Public Utility</u>	<u>Aggregate</u>	<u>balance</u>	<u>Public Utility</u>	<u>Aggregate</u>
<u>District</u>	<u>District</u>	<u>data</u>	<u>District</u>	<u>District</u>	<u>data</u>
\$ 13,639,503,084	\$ 1,745,447	<u>0.012797%</u>	\$14,397,353,530	\$ 2,001,232	<u>0.013900%</u>
10,896,036,068	1,433,265	<u>0.013154%</u>	10,923,476,287	1,577,350	<u>0.014440%</u>
\$ 2,743,467,016	\$ 312,182	<u>0.011379%</u>	\$ 3,473,877,243	\$ 423,882	<u>0.012202%</u>
\$ -	\$ -		\$ -	\$ -	
<u>\$ 10,896,036,068</u>	<u>\$ 1,433,265</u>		<u>\$10,923,476,287</u>	<u>\$ 1,577,350</u>	
	<u>\$ 497,072</u>			<u>\$ 549,092</u>	
	<u>62.80%</u>			<u>77.20%</u>	

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF PLAN LEGALLY REQUIRED CONTRIBUTIONS

AS OF JUNE 30, 2016
LAST TEN FISCAL YEARS*

	Miscellaneous risk pool		
	2014	2015	2016
Legally required contributions	\$ 58,897	\$ 88,914	(not available)
Contributions in relation to the legally required contribution	(58,897)	(94,795)	
Contribution deficiency (excess)	\$ -	\$ (5,881)	
Covered-employee payroll	\$ 293,820	\$ 497,072	
Contributions as a percentage of covered-payroll	20.05%	19.07%	

* GASB Statement No. 68 was implemented during the fiscal year ended June 30, 2015. No information was available prior to this date.

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES FOR THE FISCAL YEAR ENDED JUNE 30, 2017 LAST TEN FISCAL YEARS*

Measurement date:	June 30, 2014		June 30, 2015		June 30, 2016	
	Miscellaneous risk pool		Miscellaneous risk pool		Miscellaneous risk pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 4,353	\$ -	\$ 2,468	\$ (565)
Changes in assumptions	-	-	-	(41,186)	-	(23,345)
Net difference between projected and actual earnings on pension plan investments	-	(91,222)	105,568	(126,215)	195,696	(74,192)
Adjustment due to differences in proportions	-	(3,327)	-	-	-	-
TOTAL	<u>\$ -</u>	<u>\$ (94,549)</u>	<u>\$ 109,921</u>	<u>\$ (167,401)</u>	<u>\$ 198,164</u>	<u>\$ (98,102)</u>

* GASB Statement No. 68 was implemented during the fiscal year ended June 30, 2015. No information was available prior to this date.

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF AGGREGATE DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES TO BE RECOGNIZED IN FUTURE PENSION EXPENSE FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Measurement period ended June 30	Deferred outflows/(inflows) of resources		Foresthill Public Utility District
	Plan Aggregate Amounts	Allocation percentages	
2017	\$ 28,672,693	0.020360%	\$ 5,838
2018	40,066,383	0.020360%	8,158
2019	268,149,106	0.020360%	54,595
2020	154,573,554	0.020360%	31,471
2021	-	-	-
Remaining	-	-	-

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF OTHER AGGREGATE PENSION RELATED DISCLOSURES AS OF JUNE 30, 2017

Year ended	Total	Remaining Period (Years)	Measurement dates					Remaining
			2015	2016	2017	2018	2019	

SCHEDULE OF DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE:

			Increase (decrease) in pension expense arising from the recognition of the effects of differences between expected and actual experience					
2014	\$	-	\$	-	\$	-	\$	-
2015	25,585,821	3.8	6,733,111	6,733,111	6,733,111	5,386,488	-	-
NET INCREASE (DECREASE) IN PENSION EXPENSE			<u>\$ 6,733,111</u>	<u>\$ 6,733,111</u>	<u>\$ 6,733,111</u>	<u>\$ 5,386,488</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE OF CHANGES IN ASSUMPTIONS:

			Increase (decrease) in pension expense arising from the recognition of the effects of changes in assumptions					
2014	\$	-	\$	-	\$	-	\$	-
2015	(242,065,946)	3.8	(63,701,565)	(63,701,565)	(63,701,565)	(50,961,251)	-	-
NET INCREASE (DECREASE) IN PENSION EXPENSE			<u>\$ (63,701,565)</u>	<u>\$ (63,701,565)</u>	<u>\$ (63,701,565)</u>	<u>\$ (50,961,251)</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE OF DIFFERENCES BETWEEN PROJECTED AND ACTUAL EARNINGS ON PENSION PLAN INVESTMENTS:

			Increase (decrease) in pension expense arising from the recognition of the differences between projected and actual earnings on pension plan investments					
2014	\$ (910,997,066)	4.0	\$ (182,199,413)	\$ (182,199,413)	\$ (182,199,413)	\$ (182,199,413)	\$ (182,199,414)	\$ -
2015	571,477,513	5.0	114,295,503	114,295,503	114,295,503	114,295,503	114,295,501	-
NET INCREASE (DECREASE) IN PENSION EXPENSE			<u>\$ (67,903,910)</u>	<u>\$ (67,903,910)</u>	<u>\$ (67,903,910)</u>	<u>\$ (67,903,910)</u>	<u>\$ (67,903,913)</u>	<u>\$ -</u>

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, 2017 WITH ACTUAL TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		2017 Actual	Variance with Final Budget Positive (Negative)	2016 Actual
	Original	Final			
OPERATING REVENUES:					
Sales of water	\$1,612,300	\$1,612,300	\$1,712,706	\$ 100,406	\$1,518,548
Sugar Pine surcharge	210,000	210,000	212,801	2,801	212,320
Rehabilitation and system surcharges	491,000	491,000	493,268	2,268	464,710
Water service related fees	53,000	53,000	22,830	(30,170)	24,789
Other income	5,000	5,000	79,057	74,057	49,157
TOTAL OPERATING REVENUES	2,371,300	2,371,300	2,520,662	149,362	2,269,524
OPERATING EXPENSES:					
Source of supply	63,069	63,069	40,022	23,047	36,593
Pumping	30,128	30,128	20,435	9,693	21,245
Water treatment	144,435	144,435	207,622	(63,187)	190,484
Transmission and distribution	204,893	204,893	337,684	(132,791)	297,679
Customer service	417,403	417,403	373,792	43,611	350,670
Regulatory compliance	354,052	354,052	176,412	177,640	139,076
Administration and general	202,324	202,324	158,668	43,656	177,322
Depreciation and amortization	-	-	270,692	(270,692)	271,542
TOTAL OPERATING EXPENSES	1,416,304	1,416,304	1,585,327	(169,023)	1,484,611
OPERATING INCOME	954,996	954,996	935,335	(19,661)	784,913
NONOPERATING REVENUES (EXPENSES):					
Interest income	38,000	38,000	18,549	(19,451)	39,066
Transfer of surplus water	-	-	-	-	-
Loss on disposition of asset	-	-	-	-	37,785
Grant income	-	-	46,349	46,349	20,000
Property taxes	80,000	80,000	87,227	7,227	84,600
Capital facility fees	18,776	18,776	136,967	118,191	115,874
Interest expense	(53,317)	(53,317)	(53,535)	(218)	(56,117)
TOTAL NONOPERATING REVENUES (EXPENSES)	83,459	83,459	235,557	152,098	241,208
INCOME BEFORE TRANSFERS	1,038,455	1,038,455	1,170,892	132,437	1,026,121
TRANSFERS:					
Transfer out	(100,000)	(100,000)	(100,000)	-	(100,000)
CHANGE IN NET POSITION	\$ 938,455	\$ 938,455	\$1,070,892	\$ 132,437	\$ 926,121

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF OPERATING EXPENSES - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
SOURCE OF SUPPLY		
Supervision and labor	\$ 33,153	\$ 32,241
Materials and supplies	1,191	442
Contract services	675	-
Power	4,902	3,855
Utilities	30	-
Other expenses	71	55
TOTAL SOURCE OF SUPPLY	<u>40,022</u>	<u>36,593</u>
PUMPING		
Supervision and labor	10,183	11,194
Power	8,916	8,645
Equipment costs	662	-
Propane	674	1,406
TOTAL PUMPING	<u>20,435</u>	<u>21,245</u>
WATER TREATMENT		
Supervision and labor	185,585	154,358
Materials and supplies	1,755	9,372
Maintenance	663	4,572
Chemical and analysis	9,760	12,198
Vehicle expense	2,335	3,252
Power	7,321	6,386
Propane	98	316
Utilities	-	30
Other expenses	105	-
TOTAL WATER TREATMENT	<u>207,622</u>	<u>190,484</u>
TRANSMISSION AND DISTRIBUTION		
Supervision and labor	269,737	226,903
Materials and supplies	43,303	43,992
Maintenance	10,209	3,995
Vehicle expense	12,921	12,099
Propane	72	112
Utilities	1,078	1,152
Other expenses	364	3,312
TOTAL TRANSMISSION AND DISTRIBUTION	<u>337,684</u>	<u>297,679</u>

FORESTHILL PUBLIC UTILITY DISTRICT

SCHEDULE OF OPERATING EXPENSES - DISTRICT ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CUSTOMER SERVICE		
Supervision and labor	342,300	312,742
Materials and supplies	16,679	21,151
Maintenance	1,858	5,930
Vehicle expense	28	101
Contract services	3,350	1,339
Power	159	155
Propane	640	306
Utilities	8,304	8,946
Other expenses	474	-
TOTAL CUSTOMER SERVICE	<u>373,792</u>	<u>350,670</u>
REGULATORY COMPLIANCE		
Supervision and labor	57,990	56,498
Materials and supplies	1,076	788
Maintenance	581	301
Vehicle expense	-	256
Chemical and analysis	-	7,249
Contract services	81,571	43,096
Utilities	33	-
Restoration fee	16,466	18,381
State Department of Health Services	12,597	6,533
Other expenses	6,098	5,974
TOTAL REGULATORY COMPLIANCE	<u>176,412</u>	<u>139,076</u>
ADMINISTRATIVE AND GENERAL		
Supervision and labor	67,639	72,102
Materials and supplies	8,404	9,650
Maintenance	3,081	73
Vehicle expense	112	224
Equipment rental	2,143	
Power	3,083	3,167
Propane	211	383
Contract services	27,896	31,139
Insurance	25,441	25,378
Restoration fee	-	9,667
Utilities	1,078	7,596
Other expenses	19,580	17,943
TOTAL ADMINISTRATIVE AND GENERAL	<u>158,668</u>	<u>177,322</u>
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	<u>\$ 1,314,635</u>	<u>\$ 1,213,069</u>

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, 2017, which collectively comprise the Foresthill Public Utility District's basic financial statements and have issued our report thereon dated October 30, 2017.

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 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION



FORESTHILL PUBLIC UTILITY DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2016 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

There were not changes in the assumptions for the measurement period ended June 30, 2016.

NOTE 3 - SIGNIFICANT METHODS AND ASSUMPTIONS

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Measurement period	July 1, 2015 to June 30, 2016
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial value of assets
Actuarial assumptions:	
Inflation rate	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses
Mortality rate table	The probabilities of mortality are based on the 2010 CalPRES Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.
Retirement age	The probabilities of retirement are based on the 2010 CalPRES Experience Study for the period from 1997 to 2007.

NOTE 4 - PENSION EXPENSE RECOGNIZED

The pension expense recognized by the employer for the fiscal year ended June 30, 2017 was \$61,066.