

FORESTHILL PUBLIC UTILITY DISTRICT

**ANNUAL FINANCIAL REPORT
With
Independent Auditor's Report Thereon**

JUNE 30, 2020



**FORESTHILL PUBLIC
UTILITY DISTRICT
ANNUAL FINANCIAL REPORT**

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**FORESTHILL PUBLIC
UTILITY DISTRICT**

DISTRICT OFFICIALS

DISTRICT BOARD OF DIRECTORS

- *Neil Cochran*..... President
- *Mark Bell* Vice President
- *Linda Cholcher*..... Treasurer
- *Patty Wade* Director
- *Helen Rogers West*..... Director -7/2019 – 3/2020
- *Jane Stahler*..... Director – 5/2020 – 6/2020

OTHER DISTRICT OFFICIALS

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



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Foresthill Public Utility District (the District), as of and for the year ended June 30, 2020, 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 Statement

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 an opinion on these financial statements based on our audits. We conducted our audits 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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial position of the District as of June 30, 2020, and the results of its operations and cash flows for the year then ended in conformity 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 information, the schedule of the District's proportionate share of the net pension liability, and the schedule of contributions, as listed in the table of contents, 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 District's basic financial statements. The Budget to actual, schedule of operating expense and debt covenant ratios are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied to the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Fechter & Company
Certified Public Accountants



Sacramento, California
November 15, 2020

FORESTHILL PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

This section of the Foresthill Public Utility District (District) annual financial report presents a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's Government-wide Net Position increased 9.24% or \$922,604 to \$10.939 million in fiscal year 2020.
- In 2020, the District's Enterprise Fund's total operating revenues decreased 5.50% or \$169,221 from the prior year.
- In 2020, the District's operating expenses increased by 9.19% or \$187,646 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 (page 11) 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.

FORESTHILL PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

The Statement of Activities (page 12) 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-type activities." The government activities of the Foresthill Public Utility District includes debt service for the improvement bonds. The business-type activity of the District's is the water system.

FUND FINANCIAL STATEMENTS

A "fund" is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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.

FORESTHILL PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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 21-42 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 43 of this report.

SUPPLEMENTAL INFORMATION

These schedules are for additional analyses for the District Enterprise Fund and can be found beginning on page 45.

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 \$10.939 million.

FORESTHILL PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

The Summary of Net Position is as follows:

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets	\$ (137,365)	\$ 4,975,143	\$ 4,837,778
Other noncurrent assets	1,233,962	-	1,233,962
Capital assets, net	-	9,784,117	9,784,117
Total Assets	1,096,597	14,759,260	15,855,857
Deferred Outflows:			
Pension payments	-	371,909	371,909
Liabilities:			
Current liabilities	123,842	642,262	766,104
Long-term liabilities	1,854,500	1,375,904	3,230,404
Total Liabilities	1,978,342	2,018,167	3,996,508
Deferred Outflows:			
Pension receipts	-	75,041	75,041
Special assessments	1,217,531	-	1,217,531
Total Deferred inflows	1,217,531	75,041	1,292,572
Net Position:			
Net investment in capital assets	-	8,565,734	8,565,734
Restricted	-	1,572,946	1,572,946
Unrestricted (unreserved)	(2,099,276)	2,899,281	800,005
Total Net Position	\$ (2,099,276)	\$ 13,037,961	\$ 10,938,685

- Total Net Position increased by \$916,780 from 2019 to 2020.
- \$8.566 million is invested in capital assets (e.g., land, buildings, other improvements, construction in progress, and equipment) less any outstanding related debt used to acquire these assets. The District uses these capital assets to provide services to the community; consequently, these assets are not available for future spending.
- \$1.57 million (14.35%) in net position are earmarked and represent resources that are subject to external restrictions on how they may be used. The detail of these figure can be found in the Restricted Net position in the Business-type Activities.
- The remaining unrestricted net position for 2020 is \$800,005, while in 2019 it was a net position of \$1,121,860.

FORESTHILL PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

CHANGES IN NET POSITION

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

	Revenues		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Program Revenues:			
Sales of water	\$ -	\$ 2,017,149	\$ 2,017,149
Transfer of surplus water		-	-
Sugar Pine surcharge	-	215,194	215,194
Rehabilitation and system surcharges	-	546,585	546,585
Water service related fees	-	28,757	28,757
Grant income	-	30,000	30,000
Other income	-	70,444	70,444
Total Operating Revenues	<u>-</u>	<u>2,908,129</u>	<u>2,908,129</u>
Program Expenses:			
Source of supply	-	33,508	33,508
Pumping	-	23,295	23,295
Water treatment	-	268,609	268,609
Transmission and distribution	-	407,114	407,114
Customer service	-	420,455	420,455
Regulatory compliance	-	337,346	337,346
Administration and general	1,120	358,259	359,379
Depreciation and amortization	-	384,452	384,452
Interest expense	64,112	41,860	105,972
Total	<u>65,232</u>	<u>2,274,898</u>	<u>2,340,130</u>
Non-Operating Revenues (Expenses):			
Interest income	\$ 272	\$ 131,602	\$ 131,874
Assessments received	82,239	-	82,239
Property taxes	-	103,522	103,522
Capital facility fees	-	10,634	10,634
Reimbursements	-	5,824	5,824
Other revenue	14,688	-	14,688
Total	<u>97,199</u>	<u>251,582</u>	<u>348,781</u>
Change in Net Position	31,967	884,813	916,780
Net Position, beginning of year	<u>(2,131,243)</u>	<u>12,153,148</u>	<u>10,021,905</u>
Net Position, end of year	<u>\$ (2,099,276)</u>	<u>\$ 13,037,961</u>	<u>\$ 10,938,685</u>

FORESTHILL PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Governmental Activities changed the District's net position by \$31,967. Business-type Activities changed the District's net position as follows:

Increase in capital assets, net of related debt	\$ 1,409,791
Decrease in reserve for capital activities	(18,139)
Decrease in reserve for repairs and replacements	(11,486)
Decrease in reserve for debt service	(141,531)
Decrease in unrestricted reserves	(353,822)
Change in net position	<u>\$ 884,813</u>

Such increases in net position are vital to the District as capital projects must be "saved up" for. During the fiscal year, the District completed a pipeline replacement project which ultimately cost \$1,675,127. Additional projects are planned and will be completed as the necessary reserves are accumulated.

REVENUES

The Governmental Activities total revenues and transfers were \$97,199 and Business-Type Activity revenues were \$3.159 million for the year ended June 30, 2020. This represented a total decrease of \$108,976 from 2019. Program revenues include charges for services and grants and contributions. Program revenues provided approximately \$2,908 million for business-type activities. General revenues include, among other things, taxes, assessments, and intergovernmental revenues. General revenues provided \$251,582. The majority of general revenues came from property taxes, interest income, assessments, and capital facility fees.

EXPENSES

Expenses for the District totaled \$2.340 million for the fiscal year ended June 30, 2020. Governmental activities incurred \$65,232 in expenses and business-type activities incurred \$2.272 million in expenses during the year. Business-type activity expenses were funded by program revenues.

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 2019-20, the District's governmental fund reported committed fund balance of \$16,431 for debt service.

FORESTHILL PUBLIC UTILITY DISTRICT

Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The capital assets are reported as follows:

Capital assets, not being depreciated	
Land	\$ 36,568
Construction in progress	130
Intangible assets, net	<u>1,065,639</u>
Total assets not being depreciated	<u>1,102,337</u>
Depreciable capital assets	
Assets at cost:	
Source of supply	2,903,206
Pumping plant	31,286
Water treatment	1,504,433
Transmission and distribution	11,282,112
General plant	<u>496,387</u>
Total assets at cost	<u>16,217,425</u>
Less accumulated depreciation	<u>(7,535,644)</u>
Capital Assets, Net	<u>\$ 9,784,118</u>

The District’s investment in capital assets, before the related debt, for its governmental and business-type activities as of June 30, 2020, was \$9.784 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 of FY 2019-20 of \$1.299 million. 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.

DEBT ADMINISTRATION

At the end of FY 2019-20, the District had long-term liabilities of \$1.96 million and \$1.218 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.

FORESTHILL PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Assessment District No. 2 Debt Service Fund:

2017 Water Revenue Refunding Obligation	\$ 860,100
2017 Limited Obligation Refunding Bonds	<u>1,101,900</u>
Total Assessment District	<u>1,962,000</u>

Business-Type Activities:

District Enterprise Fund:

2014 Water Loan Agreement	1,218,383
Add: Unamortized cost of issuance	<u>-</u>
Total Public Utility District	<u>1,218,383</u>

Total Long-Term Debt \$ 3,180,383

GOING FORWARD

The District completed its third successful water transfer during 2020/2021. The water transfer market is difficult to predict and it is unknown if future transfers will be available. The District will pursue future transfers and use the proceeds to fund investments in the public water system. Work continues on an extension of the community's water right permit. Environmental documentation for the permit extension should be complete in 2021.

The District completed a spillway evaluation for the Sugar Pine Spillway and has completed all necessary repairs. Going forward, the district will monitor the performance of those repairs and report findings to the Division of Safety of Dams. The district will also replace hydraulic piezometers in Sugar Pine Dam in 2021. The existing equipment has reached the end of its service life and needs to be replaced under the guidance of the Division of Safety of Dams.

The district replaced differential pressure sending units at the dam during 2020/2021. This equipment allows accurate tracking of minimum fishery and environmental flows in North Shirttail Canyon Creek. The district will invest in equipment for the water treatment plant in 2020/2021. Asphalt repair and rebuilding of the lime injection system are scheduled for completion.

The pressure reducing station at Hardrock Lane has reached the end of its service life. Rebuilding the station will occur in 2020/2021. Construction of dedicated sample stations is scheduled for 2020/2021. The stations are used to test the adequacy of the disinfection process.

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
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-Type Activities	Totals
Current Assets:			
Cash and cash equivalents	\$ -	\$ 1,678,580	\$ 1,678,580
Investments	-	2,491,357	2,491,357
Accounts receivable:			
Accounts receivable, net	-	477,736	477,736
Due from other governments	-	-	-
Interest receivable	-	17,466	17,466
Prepaid expenses	-	113,532	113,532
Internal balances	(137,365)	137,365	-
Inventory - materials and supplies	-	59,107	59,107
Total current assets	<u>(137,365)</u>	<u>4,975,143</u>	<u>4,837,778</u>
Noncurrent Assets:			
Capital assets, net	-	9,784,117	9,784,117
Assessment receivable	1,217,531	-	1,217,531
Restricted cash and cash equivalents	16,431	-	16,431
Total noncurrent assets	<u>1,233,962</u>	<u>9,784,117</u>	<u>11,018,079</u>
TOTAL ASSETS	<u>1,096,597</u>	<u>14,759,260</u>	<u>15,855,857</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to benefits and pensions	-	371,909	371,909
LIABILITIES			
Current Liabilities:			
Accounts payable	-	221,603	221,603
Accrued salaries and benefits	-	28,680	28,680
Accrued interest payable	16,342	6,605	22,947
Customer deposits payable	-	51,003	51,003
Compensated absences liability	-	187,244	187,244
Other post-employment benefits payable	-	15,327	15,327
Long-term debt, due within one year	107,500	131,800	239,300
Total current liabilities	<u>123,842</u>	<u>642,262</u>	<u>766,104</u>
Long-Term Liabilities:			
Net pension liability	-	289,321	289,321
Long-term debt, net of current	1,854,500	1,086,583	2,941,083
Total long term liabilities	<u>1,854,500</u>	<u>1,375,904</u>	<u>3,230,404</u>
TOTAL LIABILITIES	<u>1,978,342</u>	<u>2,018,167</u>	<u>3,996,508</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	-	75,041	75,041
Special assessments to be collected	1,217,531	-	1,217,531
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,217,531</u>	<u>75,041</u>	<u>1,292,572</u>
NET POSITION			
Net investment in capital assets, net of related debt	-	8,565,734	8,565,734
Restricted for:			
Capital reserve	-	207,124	207,124
Repairs and replacement reserve	-	1,115,529	1,115,529
Debt service reserve	-	250,293	250,293
Unrestricted	(2,099,276)	2,899,281	800,005
TOTAL NET POSITION	<u>\$ (2,099,276)</u>	<u>\$ 13,037,961</u>	<u>\$ 10,938,685</u>

The accompanying notes are an integral part of these financial statements.

FORESTHILL PUBLIC UTILITY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net Changes in Net Position		
	Operating Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	Business-Type Activities	Totals
Governmental Activities:							
General government	\$ 1,120	\$ -	\$ -	\$ -	\$ (1,120)		\$ (1,120)
Interest on long-term debt	64,112	-	-	-	(64,112)		(64,112)
Total Governmental Activities	65,232	-	-	-	(65,232)		(65,232)
Business-Type Activities:							
Water utility	2,233,038	2,878,129	30,000	-	-	\$ 675,091	675,091
Interest on long-term debt	41,860	-	-	-	-	(41,860)	(41,860)
Total Business-Type Activities	2,274,898	2,878,129	30,000	-	-	633,231	633,231
Totals	\$2,340,130	\$2,878,129	\$ 30,000	\$ -	(65,232)	633,231	567,999

General Revenues:

Property taxes	-	103,522	103,522
Interest income	272	131,602	131,874
Assessments received	82,239	-	82,239
Capital facility fees	-	10,634	10,634
Reimbursements	-	5,824	5,824
Other revenue	14,688	-	14,688
Total general revenues	97,199	251,582	348,781
Change in net position	31,967	884,813	916,780
Net position beginning of year	(2,131,243)	12,153,148	10,021,905
Net position end of year	\$ (2,099,276)	\$ 13,037,961	\$ 10,938,685

The accompanying notes are an integral part of these financial statements.

**FORESTHILL PUBLIC UTILITY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
ASSESSMENT DISTRICT No. 2 DEBT SERVICE FUND
AS OF JUNE 30, 2020**

Assets

Cash and investments	\$ 16,431
Due from other funds	-
	-
Total assets	16,431

Liabilities and Fund Equity

Liabilities

Interest payable	16,341
Due to other funds	137,365
	137,365
Total liabilities	153,706

Fund Balances

Committed for debt service	16,431
Unassigned	(153,707)
	(137,276)
Total fund balances	(137,276)

Total liabilities and fund balances	\$ 16,430
	16,430

The accompanying notes are an integral part of these financial statements.

FORESTHILL PUBLIC UTILITY DISTRICT
Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position
As of June 30, 2020

Fund Balances of Governmental Funds	\$	(137,276)
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Long-term amounts not due and available in the current period, and therefore,</p>		
Assessment receivable		1,217,531
Deferred revenues		(1,217,531)
<p>Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds balance sheet:</p>		
Bonds payable		<u>(1,962,000)</u>
Net position of governmental activities	\$	<u><u>(2,099,276)</u></u>

The accompanying notes are an integral part of these financial statements.

FORESTHILL PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
ASSESSMENT DISTRICT No. 2 DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2020

Revenues:	
Interest income	\$ 272
Assessments revenue	82,239
Other revenues	<u>14,688</u>
Total Revenues	<u>97,199</u>
Expenditures	
Professional services	1,120
Debt services:	
Interest expense	64,112
Principal payments	<u>103,900</u>
Total Expenditures	<u>169,132</u>
Net Change in Fund Balances	(71,933)
Fund Balances, beginning of year	<u>(65,343)</u>
Fund Balances, end of year	<u><u>\$ (137,276)</u></u>

The accompanying notes are an integral part of these financial statements.

FORESTHILL PUBLIC UTILITY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ (71,933)
Amounts reported for governmental activities in the Statement of Activities are different because:	
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	103,900
Change in net position of governmental activities	\$ 31,967

The accompanying notes are an integral part of these financial statements.

FORESTHILL PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION - DISTRICT ENTERPRISE FUND
June 30, 2020

Assets	
Cash and cash equivalents	\$ 1,678,580
Investments	2,491,357
Receivables:	
Accounts receivable, net allowance of \$484	477,736
Due from other governments	-
Interest receivable	17,466
Prepaid expenses	113,532
Internal balances	137,365
Inventory- materials and supplies	59,107
Total current assets	<u>4,975,143</u>
Non-current assets	
Capital assets, net of accumulated depreciation	9,784,117
Restricted cash and cash equivalents	-
Total noncurrent assets	<u>9,784,117</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	<u>371,909</u>
Total Assets	<u><u>\$15,131,169</u></u>
Liabilities and net position	
Current liabilities	
Accounts payable	\$ 221,603
Payroll liabilities	28,680
Customer deposits	51,003
Interest payable	6,605
Due to other funds	-
Compensated absences payable	187,244
Other post-employment benefits payable	15,327
Long-term debt, due within one year	131,800
Total current liabilities	<u>642,262</u>
Non-current liabilities	
Net pension liability	289,321
Long-term debt	1,086,583
Total noncurrent liabilities	<u>1,375,904</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	<u>75,041</u>
Total Liabilities	<u><u>2,093,208</u></u>
Net position	
Net investment in capital assets	8,565,734
Restricted for:	
Capital reserve	207,124
Repairs and replacement reserve	1,115,529
Debt service reserve	250,293
Unrestricted	<u>2,899,281</u>
Total net position	<u><u>13,037,961</u></u>
Total liabilities and net position	<u><u>\$15,131,169</u></u>

The accompanying notes are an integral part of these financial statements.

FORESTHILL PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DISTRICT ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

Operating Revenues	
Sales of water	\$ 2,017,149
Transfer of surplus water	-
Sugar Pine surcharge	215,194
Rehabilitation and system surcharges	546,585
Water service related fees	28,757
Grant income	30,000
Other income	70,444
Total operating revenues	<u>2,908,129</u>
Operating Expenses	
Source of supply	33,508
Pumping	23,295
Water treatment	268,609
Transmission and distribution	407,114
Customer service	420,455
Regulatory compliance	337,346
Administration and general	358,259
Depreciation and amortization	384,452
Total operating expenses	<u>2,233,038</u>
Operating income	<u>675,091</u>
Non-Operating Revenues (Expenses)	
Interest income	131,602
Property taxes	103,522
Capital facility fees	10,634
Reimbursements	5,824
Interest expense	(41,860)
Total non-operating revenues (expenses)	<u>209,722</u>
Increase in Net Position	884,813
Net position - beginning of the year	12,153,148
Prior period adjustment	<u>-</u>
Restated net position, beginning of year	<u>12,153,148</u>
Net position - ending of the year	<u><u>\$ 13,037,961</u></u>

The accompanying notes are an integral part of these financial statements.

**FORESTHILL PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 2,851,267
Cash paid to suppliers	(613,716)
Cash paid to employees and for related benefits	(1,157,801)
Interfund borrowings	(73,003)
	<u>1,006,747</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchases of capital assets	(1,668,143)
Interest paid	(41,223)
Payments on long-term debt	(129,586)
	<u>(1,838,952)</u>
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Grant income received	30,000
	55,582
Increase in deferred inflows for pension receipts	(33,821)
Increase in net pension liability	35,724
Property tax receipts	103,522
Receipts from capital facility fees	10,634
Transfers out	-
	<u>201,641</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	139,939
	<u>139,939</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
	(490,625)
Cash and cash equivalents, beginning of the year	<u>4,682,526</u>
Cash and cash equivalents, end of the year	<u>\$ 4,191,901</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:	
Cash and cash equivalents	\$ 1,678,580
Investments	2,491,357
	<u>\$ 4,169,937</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**FORESTHILL PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

(Continued)

Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities:	
Operating income	\$ 675,091
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	384,452
Accounts receivable	(45,309)
Due from other governments	-
Inventory	(3,003)
Prepaid expenses	(13,238)
Accounts payable	57,286
Accrued salaries	9,779
Deposits payable	(11,553)
Accrued expenses	-
Compensated absences	26,385
Due to other funds	(73,003)
Other post-employment benefit payable	(140)
Net cash provided by operating activities	<u>\$ 1,006,747</u>

The accompanying notes are an integral part of these financial statements.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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). 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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

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

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

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

The District reports the following governmental fund:

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

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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.

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

C. Property Taxes

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

D. Inventories

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

E. Cash and Cash Equivalents

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

F. Investments

Investments, including LAIF, are stated at fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments (continued)

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.

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, 2020, the allowance for doubtful accounts were as follows:

	Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable, Net
District Enterprise Fund	<u>\$ 478,220</u>	<u>\$ (484)</u>	<u>\$ 477,736</u>

H. Capital Assets

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

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

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (continued)

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.

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.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020, the Restricted Net Position consisted of the following:

<u>Fund Type</u>	<u>Amount</u>	<u>Action</u>
District Enterprise Fund:		
Capital reserve	\$ 207,124	Imposed by board designation
Repairs and replacement reserve	1,115,529	Imposed by board designation
Debt service reserve	<u>250,293</u>	Imposed by board designation
Total Restricted	<u>\$ 1,572,946</u>	

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position (continued)

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

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

P. Fund Equity

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

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

The committed fund balance is comprised of the following:

Fund Type	Amount	Action
Assessment District No. 2		
Debt Service Fund:		
Committed for debt service	16,431	Imposed by loan agreement

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

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

Q. New Accounting Pronouncements

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020 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	\$ -	\$ 4,169,937	\$ 4,169,937
Investments			-
Restricted cash and cash equivalents	<u>16,431</u>	<u>-</u>	<u>16,431</u>
 Total Cash and Investments	 <u>\$ 16,431</u>	 <u>\$ 4,169,937</u>	 <u>\$ 4,186,368</u>

Cash and investments at fair value at June 30, 2020 consist of the following:

Cash on hand	\$ 250
Investments with the Local Agency Investment Fund	975,374
Brokerage account	2,461,475
Deposits with financial institutions	757,807
Less: outstanding checks	<u>(24,969)</u>
 Total Cash and Investments	 <u>\$ 4,169,937</u>
 Restricted Cash:	
Cash pooled with other government	<u>\$ 16,431</u>
 Total Restricted Cash	 <u>\$ 16,431</u>

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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, 2020:

Credit Risk	Type of Investment					Total
	Local Agency Investment Fund	Municipal Organizations	Taxable Municipal Obligations	Corporate Bonds	Certificates of Deposit	
A1	\$ -	\$ -	\$ 133,289	\$ 102,676	\$ -	\$ 235,965
A2	-	-	-	125,042	-	125,042
A3	-	-	-	103,028	-	103,028
AA1	-	31,338	71,900	25,723	-	128,961
AA2	-	15,639	517,544	-	-	533,183
AA3	-	48,057	92,381	-	-	140,438
No Rating	975,374	-	-	-	1,224,740	2,200,114
	<u>\$ 975,374</u>	<u>\$ 95,034</u>	<u>\$ 815,114</u>	<u>\$ 356,469</u>	<u>\$ 1,224,740</u>	<u>\$ 3,466,731</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, 2020, the District had no individual investment that exceeded 5% of its total investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or for amounts held with fiscal agents, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party such as a broker- dealer. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the local amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (continued)

At June 30, 2020, the carrying amount of the District’s deposits was \$732,838 and the balances in financial institutions were \$732,838. Of the balance in financial institutions, up to \$250,000 was covered by federal depository insurance. The cash pooled with the county totaled \$16,431.

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:

	Total	Remaining Maturity (In Months)				
		12 Months or Less	13 - 23 Months	24 - 36 Months	36 - 48 Months	48 - 60 Months
Local Agency Investment Fund	\$ 975,374	\$ 975,374	\$ -	\$ -	\$ -	\$ -
Held in Brokerage Account:						
Municipal bonds	95,034	-	-	-	79,395	15,639
Taxable municipal bonds	815,114	75,060	134,470	149,573	174,428	281,583
Corporate bonds	356,469	100,809	102,320	103,937	-	49,403
Certificates of deposits	1,224,740	353,040	476,701	234,631	54,446	105,922
Total	<u>\$ 3,466,731</u>	<u>\$ 1,504,283</u>	<u>\$ 713,491</u>	<u>\$ 488,141</u>	<u>\$ 308,269</u>	<u>\$ 452,547</u>

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, 2020

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments by Fair Value Level (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.

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities:				
Local Agency Investment Fund	\$ 975,374	\$ 975,374	\$ -	\$ -
Municipal bonds	95,034	95,034	-	-
Taxable municipal bonds	815,114	815,114	-	-
Corporate bonds	356,469	356,469	-	-
Certificates of deposits	1,224,740	1,224,740	-	-
 Total Investments by Fair Value Level	 \$ 3,466,731	 \$ 3,466,731	 \$ -	 \$ -

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, 2020 invested by all public agencies in LAIF is \$103,274,433,000 managed by the State Treasurer. The investments are as follows:

Structured notes and medium-term asset backed securities	As a Percent of Portfolio
Short-term asset-backed commercial paper	
All other investments	100.00%
 Fair Value Level	 100.00%

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investment in LAIF (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.

NOTE 3 – CAPITAL ASSETS

The changes in capital assets for the business-type activities for the fiscal year ended June 30, 2020 are as follows:

	Balance at June 30, 2019	Additions	Retirements	Reclass	Balance at June 30, 2020
Capital assets, not being depreciated					
Land	\$ 36,568	\$ -	\$ -	\$ -	\$ 36,568
Construction in progress	172,836	130	-	(172,836)	130
Intangible assets, net	964,754	74,963	-	25,922	1,065,639
Total assets not being depreciated	<u>1,174,158</u>	<u>75,093</u>	<u>-</u>	<u>(146,914)</u>	<u>1,102,337</u>
Depreciable capital assets					
Assets at cost:					
Source of supply	2,890,838	12,368	-	-	2,903,206
Pumping plant	31,286	-	-	-	31,286
Water treatment	1,504,433	-	-	-	1,504,433
Transmission and distribution	9,605,360	1,529,838	-	146,914	11,282,112
General plant	494,944	1,443	-	-	496,387
Total assets at cost	<u>14,526,861</u>	<u>1,543,649</u>	<u>-</u>	<u>146,914</u>	<u>16,217,424</u>
Accumulated depreciation					
Source of supply	(953,548)	(64,250)	-	-	(1,017,798)
Pumping plant	(23,371)	(344)	-	-	(23,715)
Water treatment	(1,137,763)	(23,596)	-	-	(1,161,359)
Transmission and distribution	(4,645,053)	(239,614)	-	-	(4,884,667)
General plant	(437,372)	(10,733)	-	-	(448,105)
Total accumulated depreciation	<u>(7,197,107)</u>	<u>(338,537)</u>	<u>-</u>	<u>-</u>	<u>(7,535,644)</u>
Net depreciable assets	<u>7,329,754</u>	<u>1,205,112</u>	<u>-</u>	<u>146,914</u>	<u>8,681,780</u>
Capital Assets, net	<u>\$ 8,503,912</u>	<u>\$ 1,280,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,784,117</u>

No interest was capitalized in the cost of additions in the current year. The District recorded depreciation of \$338,537 and amortization of \$ 45,915 as part of the program expense.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020 is as follows:

	Balance at July 1, 2019	Additions	Payments	Balance at June 30, 2020	Current Portion
Governmental Activities:					
<u>Assessment District No. 2 Debt Service Fund:</u>					
2017 Water Revenue Refunding Obligation	\$ 906,100	\$ -	\$ (57,900)	\$ 848,200	\$ 59,900
2017 Limited Obligation Refunding Bonds	1,159,800	-	(46,000)	1,113,800	47,600
Total Governmental	2,065,900	-	(103,900)	1,962,000	107,500
Business-Type Activities:					
<u>District Enterprise Fund:</u>					
2014 Water Loan Agreement	1,347,969	-	(129,586)	1,218,383	131,800
Add: Unamortized cost of issuance	0	-	(0)	-	-
Total Business-Type	1,347,969	-	(129,586)	1,218,383	131,800
Total Long-Term Debt	\$ 3,413,869	\$ -	\$ (233,486)	\$ 3,180,383	\$ 239,300

The issuance costs were written off as a prior period adjustment due to GASB 65, items previously reported as assets and liabilities, which was effective for years beginning after December 15, 2012.

Governmental Activities:

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

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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

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.

The future annual maturities of long-term borrowings as of June 30, 2020 are as follows:

Year Ending June 30:	Governmental Activities			Business Activities	
	2017 Limited Obligation Bonds	2017 Water Revenue Bonds	Total	Series 2014 Water Loan	Total
2021	\$ 82,099	\$ 86,943	\$ 169,042	\$ 170,458	\$ 339,500
2022	82,738	86,814	169,552	168,583	338,135
2023	82,869	86,723	169,592	171,333	340,925
2024	82,947	86,772	169,719	173,383	343,102
2025	82,006	86,752	168,758	169,852	338,610
2026-2030	409,728	434,378	844,106	559,906	1,404,012
2031-2035	408,567	173,570	582,137	-	582,137
2036-2038	212,378	-	212,378	-	212,378
	1,443,332	1,041,952	2,485,284	1,413,515	3,898,799
Less interest	(341,432)	(181,852)	(576,628)	(195,132)	(771,760)
	1,101,900	860,100	1,908,656	1,218,383	3,127,039
Due within one year	(47,600)	(59,900)	(175,586)	(131,800)	(233,486)
	<u>\$ 1,054,300</u>	<u>\$ 800,200</u>	<u>\$ 1,733,070</u>	<u>\$ 1,086,583</u>	<u>\$ 2,893,553</u>

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN

CalPERS Miscellaneous Pension Plan

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

Plan Description

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

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

Benefits Provided

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

CalPERS Miscellaneous Pension Plan (continued)

Miscellaneous plan participants (tier 1) are required to contribute 7.8311% of their annual covered salary. Miscellaneous tier 3 plan participants are required to contribute 6.25% of their annual covered salary. In addition, the District is required to make an employer contribution at an actuarial determined rate of 13.692% (tier 1) and 6.99% (tier 3) of annual covered payroll for the year ended June 30, 2020. For the year ended June 30, 2020, contributions to the Plan were \$148,248; \$100,806 employer contributions and \$47,442 employee contributions.

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

As of June 30, 2020, the District reported liability of \$289,321 for its proportionate share of the Plan's net pension liability.

The District's net pension liability is measured as the proportionate share of net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability for used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019. The District's proportion of the net pension liability based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2020, the District's proportion was 0.00722 percent of the Miscellaneous risk pool; which was a decrease of 0.00050 percent from their proportions measured as of June 30, 2020.

For the year ended June 30, 2020, the District recognized pension expense of \$195,619. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,538	\$ -
Differences between Employer's Contributions and Proportionate Share of Contributions	176,184	
Change in assumptions	8,906	.
Net difference between projected and actual earnings on pension plan investments		5,058
Change in employer's proportion	22,418	69,982
Pension contributions made subsequent to measurement date	145,864	-
Total	\$ 371,910	\$ 75,040

The \$145,864 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2021	\$ 87,047
2022	45,498
2023	17,438
2024	1,022
Total	\$ 151,005

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuation were determined using the following actuarial assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial value of assets
Actuarial assumptions:	
Discount rate	7.15%
Inflation rate	2.625%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.15% net of pension plan investment and administrative expenses
Mortality rate table	Based on the 2010 CalPERS Experience Study

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

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

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

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The table on the next page reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years > 10(b)
Global equity	50.0%	4.80%	5.98%
Global fixed income	28.0%	1.00%	2.62%
Inflation sensitive	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real estate	13.0%	3.75%	4.93%
Liquidity	1.0%	-0.55%	-1.05%
	<u>100.00%</u>		

- (a) An expected inflation of 2.0% used for this period
- (b) An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets.

Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The following presents the District’s proportionate share of the net pension liability for the Miscellaneous plan, calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	6.65%	7.15%	8.15%
Plan's net pension liability	\$ 650,709	\$ 289,321	\$ (8,979)

NOTE 7 – SECTION 457 PLAN

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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.

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.

Net OPEB liability

The District’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 %
Healthcare cost trend rate	4.6% to 4.8% for the next 10 years
Discount rate	7%

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District’s Total OPEB liability is based on these requirements.

Sensitivity of the District’s Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (6 percent) or 1-percentage-point higher (8 percent) than the current discount rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
District's net OPEB liability	\$ 39,261	\$ 15,327	\$ (5,150)

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.

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the District’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	Trend Rate		
	1% Decrease	Current rate	1% Increase
District's net OPEB liability	\$ 8,115	\$ 15,327	\$ 22,713

Changes in the OPEB liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position, and the net OPEB liability during the measurement period ending on June 30, 2019 for the District:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at June 30, 2019	\$ 211,421	\$ 195,954	\$ 15,467
Changes recognized for the service period:			
Service cost	-	-	-
Interest	5,952		5,952
Changes of assumptions	14,643		14,643
Administrative costs	-	(98)	98
Net investment income	-	6,933	(6,933)
Employer contributions	-	13,900	(13,900)
Benefit payments	(13,899)	(13,899)	-
Net changes	6,696	6,836	(140)
Balance at June 30, 2020	<u>\$ 218,117</u>	<u>\$ 202,790</u>	<u>\$ 15,327</u>

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 – INTERFUND TRANSACTIONS

Interfund balances for operations as of June 30, 2020 were as follows:

Fund	Due from Other Funds	Due to Other Funds
Governmental Activities:		
Assessment District No. 2 Debt Service Fund	(137,365)	
Business-Type Activities:		
District Enterprise Fund		137,365
Total	\$ (137,365)	\$ 137,365

NOTE 10 – RISK OF LOSS

Foresthill Public Utility District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2020 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 reductions in coverage from coverage in the prior year and there have not been any settlements that have exceeded the coverage in the past three years.

NOTE 11 – CONTINGENCIES

The District is currently engaged in ongoing litigation in which the outcome is unknown as of the date of these financial statements.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2020, the date these June 30, 2020 financial statements were available to be issued.

In January 2020, the virus SARS-CoC-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent. The economic impact on the State of California and the County of Placer as yet has not been determined and, therefore, any potential impact on the District is not yet known.

REQUIRED SUPPLEMENTARY INFORMATION



FORESTHILL PUBLIC UTILITY DISTRICT

Notes to Required Supplementary Information – Pension
For the Fiscal Year Ended June 30, 2020

Last 10 Fiscal Years *

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
District's proportion of the net pension liability	0.01132%	0.01138%	0.01220%	0.01262%	0.00673%	0.00722%
District's proportionate share of the net pension liability	\$ 279,805	\$ 312,182	\$ 423,882	\$ 497,381	\$ 253,597	\$ 289,321
District's covered employee payroll	396,998	433,752	452,791	618,627	587,967	618,369
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.48%	71.97%	93.62%	80.40%	43.13%	46.79%
Plan Fiduciary net position as a percentage of the total pension liability	82.60%	82.11%	78.82%	77.37%	89.46%	89.23%

* Amounts presented above were determined as of 6/30.

Additional years will be presented as they become available

CALPERS - Schedule of District Contributions

Last 10 Fiscal Years *:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Actuarially determined contribution	\$ 51,680	\$ 51,680	\$ 73,528	\$ 74,679	\$ 98,676	\$ 100,806
Total action contribution	<u>(58,224)</u>	<u>(58,224)</u>	<u>(55,783)</u>	<u>(60,898)</u>	<u>(98,676)</u>	<u>(100,806)</u>
Contribution deficiency (excess)	<u>\$ (6,544)</u>	<u>\$ (6,544)</u>	<u>\$ 17,745</u>	<u>\$ 13,781</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 311,714	\$ 491,742	\$ 469,596	\$ 469,596	\$ 587,967	\$ 618,369
Contributions as a percentage of covered employee payroll	18.68%	11.34%	12.97%	12.97%	16.78%	16.30%

FORESTHILL PUBLIC UTILITY DISTRICT

Notes to Required Supplementary Information - OPEB
For the Fiscal Year Ended June 30, 2020

NOTE 1 – CHANGE IN BENEFIT TERMS

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

NOTE 2 – CHANGE IN ASSUMPTIONS

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

NOTE 3 – SIGNIFICANT METHODS AND ASSUMPTIONS

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	Actuarial value of assets
Actuarial assumptions:	
Discount rate	7.00%
Inflation rate	2.625%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.25% net of pension plan investment and administrative expenses
Mortality rate table	Based on the 2010 CalPERS Experience Study

NOTE 4 – PENSION EXPENSE RECOGNIZED

The pension expense recognized by the employer for the fiscal year ended June 30, 2020 was \$195,619.

NOTE 5 – PARTICIPANT DATA

The number of members participating in the plan as of June 30, 2020 were as follows:

Number of members:	
Active	7
Transferred	0
Separated	1
Retired	3

SUPPLEMENTAL INFORMATION



FORESTHILL PUBLIC UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - DISTRICT ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Operating Revenues				
Sales of water	\$ 2,153,774	# \$ 2,153,774	\$ 2,017,149	\$ (136,625)
Transfer of surplus water	-	-	-	-
Sugar Pine surcharge	-	-	215,194	215,194
Rehabilitation and system surcharges	-	-	546,585	546,585
Water service related fees	57,000	57,000	28,757	(28,243)
Grant income		#	30,000	30,000
Other income	5,000	5,000	70,444	65,444
Total operating revenues	<u>2,215,774</u>	<u>2,215,774</u>	<u>2,908,129</u>	<u>692,355</u>
Operating Expenses				
Source of supply	73,437	73,437	33,508	39,929
Pumping	39,974	39,974	23,295	16,679
Water treatment	179,074	179,074	268,609	(89,535)
Transmission and distribution	293,920	293,920	407,114	(113,194)
Customer service	521,593	521,593	420,455	101,138
Regulatory compliance	485,427	485,427	337,346	148,081
Administration and general	262,221	262,221	358,259	(96,038)
Depreciation and amortization	-	-	384,452	(384,452)
Total operating expenses	<u>1,855,646</u>	<u>1,855,646</u>	<u>2,233,038</u>	<u>(377,392)</u>
Operating income	360,128	360,128	675,091	314,963
Non-Operating Revenues (Expenses)				
Interest income	65,000	65,000	131,602	66,602
Property taxes	90,000	90,000	103,522	13,522
Capital facility fees	-	-	10,634	10,634
Reimbursements	-	-	5,824	5,824
Interest expense	-	-	(41,860)	(41,860)
Total non-operating revenues (expenses)	<u>155,000</u>	<u>155,000</u>	<u>209,722</u>	<u>54,722</u>
Income Before Transfers	515,128	515,128	884,813	369,685
Transfers out	-	-	-	-
Change in Net Position	\$ 515,128	\$ 515,128	\$ 884,813	\$ 369,685

**FORESTHILL PUBLIC UTILITY DISTRICT
SCHEDULE OF OPERATING EXPENSES
DISTRICT ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

Source of Supply

Supervision and labor	\$ 27,686
Materials and supplies	218
Contract services	2,500
Power	3,104
Total Source of Supply	33,508

Pumping

Supervision and labor	10,077
Materials and supplies	476
Maintenance	869
Power	7,821
Propane	4,052
Total Pumping	23,295

Water Treatment

Supervision and labor	211,761
Materials and supplies	7,888
Maintenance	8,241
Chemical and analysis	23,575
Power	14,230
Propane	2,914
Total Water Treatment	268,609

Transmission and Distribution

Supervision and labor	301,091
Materials and supplies	36,997
Maintenance	3,122
Contract services	51,003
Vehicle expense	13,746
Utilities	1,000
Other expenses	155
Total Water Treatment	407,114

**FORESTHILL PUBLIC UTILITY DISTRICT
SCHEDULE OF OPERATING EXPENSES
DISTRICT ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

Customer Service	
Supervision and labor	361,114
Materials and supplies	4,006
Maintenance	723
Vehicle expense	1,146
Contract services	44,063
Power	175
Utilities	9,228
Total Customer Service	<u>420,455</u>
Regulatory Compliance	
Supervision and labor	69,982
Materials and supplies	1,928
Maintenance	105
Contract services	218,366
Restoration fee	23,246
Other expenses	23,719
Total Regulatory Compliance	<u>337,346</u>
Administrative and General	
Supervision and labor	212,114
Materials and supplies	6,209
Maintenance	11,233
Vehicle expense	232
Equipment rental	-
Power	2,299
Propane	1,703
Contract services	57,851
Insurance	45,336
Utilities	955
Other expenses	20,327
Total Administrative and General	<u>358,259</u>
Total Operating Expenses Before Depreciation and Amortization	<u><u>\$ 1,848,586</u></u>

**FORESTHILL PUBLIC UTILITY DISTRICT
DEBT COVENANTS
FOR THE YEAR ENDED JUNE 30, 2020**

For the year ended June 30, 2020

Net Revenues	2,908,129
Total debt	1,218,383
Revenue to Debt Ratio	239%