

PURISSIMA HILLS WATER DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS

6:30 P.M. WEDNESDAY, JANUARY 10, 2018

26375 FREMONT ROAD, LOS ALTOS HILLS CA 94022

Agenda

- 6:30 1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE**
- 6:35 2. COMMENTS FROM THE PUBLIC**
- 6:45 3. CONSENT CALENDAR**
Items appearing on the Consent Calendar are considered routine and will be adopted in one motion, except for any item removed for separate consideration elsewhere on the agenda. The President will ask the Board and the audience for requests to remove these items.
- A. APPROVAL OF MINUTES: REGULAR MEETING OF THE BOARD NOVEMBER 8, 2107**
- B. APPROVAL AND RATIFICATION OF NOVEMBER AND DECEMBER 2017 DISBURSEMENTS PAID IN DECEMBER 2017 AND JANUARY 2018 IN ACCORDANCE WITH RESOLUTION 2013-9 (DISBURSEMENTS SIGNED BY DIRECTORS JORDAN, SOLOMON, AND HOLTZ, PATRICK WALTER, AND RAYLENE COLLINS)**
- C. FINANCIAL REPORTS FOR: INCOME AND CAPITAL IMPROVEMENT PLANS NOVEMBER 2017 AND DECEMBER 2017 REVENUES AND EXPENDITURES, BALANCE SHEETS**
- 6:50 4. APPOINTMENT OF BOARD OF DIRECTORS PRESIDENT AND VICE PRESIDENT 2018**
DISCUSSION/ACTION
- 7:00 5. FINAL AUDIT REPORT AND PRESENTATION FY 2016-2017 FEDAK AND BROWN**
UPDATE/ACTION
- 7:30 6. ENGINEER'S REPORT** **UPDATE**
- A. WATER RATE COMPARISONS**
- 7:40 7. ATTORNEY'S REPORT** **UPDATE**
- 7:45 8. MANAGER'S REPORT** **UPDATE/DISCUSSION**
- A. FIELD REPORT**
- B. CUSTOMER COMMUNICATIONS**

PURISSIMA HILLS WATER DISTRICT
REGULAR MEETING OF THE BOARD OF DIRECTORS
WEDNESDAY, JANUARY 10, 2018

- | | | |
|-------------|---|--------------------------|
| 8:00 | 9. DIRECTORS' REPORT | DISCUSSION/ACTION |
| | A. BAY AREA WATER SUPPLY AND CONSERVATION AGENCY (BAWSCA),
ACWA/JPIA, SCVWD, AND OTHER AGENCY ISSUES | |
| | B. DIRECTORS' COMMENTS | |
| | C. MAY 9, 2018 BOARD MEETING RESCHEUDLE | DISCUSSION/ACTION |
| 8:15 | 10. AGENDA ITEMS FOR FEBRUARY 14, 2018 BOARD MEETING | DISCUSSION |
| 8:20 | 11. CLOSED SESSION
Pursuant to California Government Code Section 54957 Public Employee
Performance Evaluation Title: General Manager | |
| 8:40 | 12. OPEN SESSION
Public Employee Performance Evaluation
Title: General Manager
Amendment to General Manager's Employment Agreement | (ACTION) |
| 8:45 | 13. ADJOURNMENT | |

ASSISTANCE FOR PERSONS WITH DISABILITIES

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District Secretary at 650-948-1217. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

Copies of all agenda reports and supporting data are available for inspection at the District office , 26375 Fremont Road, Los Altos Hills, Ca. A complete agenda and minutes can also be found on the District's website: <http://www.purissimawater.org>.

PHWD MINUTES NOVEMBER 8 2017 V3

1. **CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE** President Holtz called the regular meeting to order at 6:30 p.m. in the District office.

Directors Present: President Holtz, Directors Steve Jordan, Robert N. Anderson, Ernie Solomon and Peter Evans.

Staff Present: Patrick Walter, General Manager; Phil Witt, General Foreman; Brandon Laurie, Engineer, Pakpour Consulting Group; Catherine Groves, Attorney, Hanson Bridgett; and Ray Collins, Office Manager/District Secretary

The Pledge of Allegiance was recited.
2. **COMMENTS FROM THE PUBLIC** Customer Gayle Solomon attended.
3. **CONSENT CALENDAR** It was moved by Director Solomon, seconded by Director Anderson, to approve the Consent Calendar. Motion approved unanimously – voice vote.
4. **ENGINEER'S REPORT** Nothing to Report
5. **ATTORNEY'S REPORT** Nothing to Report
6. **AUTHORIZATION TO PURCHASE TWO DIESEL TRUCKS NOT TO EXCEED \$99,000 LIST PRICE** The General Foreman, Phil Witt, explained that diesel engines operate more efficiently than gasoline powered trucks over the Los Altos Hill's steep terrain. He plans to sell or dispose of the District's 1992 truck and one of the other two gasoline powered vehicles. Phil explained that he found two pre-owned 2017 diesel trucks in good condition: one at Salinas Valley Ford Lincoln for \$52,770.50 and the other at Lehmer's Concord Buick GMC for \$53,598.50 for a total of \$106,369 (taxes and licenses included). It was moved by Director Anderson, seconded by Director Jordan, to authorize the purchase of two diesel trucks for no more than \$110,000. Motion approved unanimously – voice vote.
7. **MANAGER'S REPORT**
 - A. **FIELD REPORT**
 - **Chloramine Boost Station.** The Hazardous Material permit process continues for the chemicals at Neary. Staff has discovered that Ammonium Sulfate can be used and is not listed as a hazardous chemical. A response is expected soon from the Santa Clara County Department of Environmental Health.
 - **Paved Trenches on Purissima Rd.** The two trenches were paved from the installation of a service and the abandonment of the existing service.
 - **McCann Pump 1. Starter.** Recently, the transformer for pump 1 failed and blew fuses on both the supply and discharge side of the transformer. The transformer, the fuses, and the motor saver were replaced. It was also discovered that the pump 1 starter is chattering. Given the age of the electrical components, staff is evaluating the repair or replacement, pending quotes.
 - **La Cresta Hatch and Pressure Unit** La Cresta Tank 1 was taken out of service to install a new stainless steel hatch and a dedicated fitting for a pressure transducer. The transducer is currently connected to the supply pipe to the tank and causes inaccurate tank level fluctuations when the pump starts and stops.
 - **Diesel Storage Tanks.** Dynamic Fuel Solutions filtered water and debris from the diesel fuel for the tank at the Yard, and the day tanks on the generators at Deer Creek and Altamont.

- **Vinedo Main Installation.** The entire 850 LF of 8” DIP main was fully completed on October 31. The Vinedo Lane Road Maintenance Association repaired the road damage from the leak on August 8, 2017 and repaved the road. Compaction, pressure and bacteriological tests all passed.
- **Facility Status** The GM provided a new monthly report that shows the status of tanks and pumps; their capacity, current storage, and percentage of capacity.

B. CUSTOMER COMMUNICATIONS Nothing to Report

8. DIRECTORS’ REPORT

A. BAY AREA WATER SUPPLY AND CONSERVATION AGENCY (BAWSCA), ACWA/JPIA, SCVWD, AND OTHER AGENCY ISSUES Nothing to Report

B. DIRECTORS’ COMMENTS Director Solomon reported that he attended the BAWSCA - sponsored Tour of Calaveras Dam held on October 12, 2017. This reservoir is part of the SFPUC supply system. He provided a fact sheet, location maps, and photos of the dam under construction. He explained the seismic safety modifications and structural improvements in progress.

Director Jordan reported that SCVWD is now accepting grant funding proposals for projects that have conservation objectives. He suggested that the installation of weather-based irrigation controllers that can integrate with data from Beacon AMI would improve conservation and thus qualify for grant funding. The GM was directed to submit grant conservation proposal due by November 30, 2017. Director Jordan also suggested that grant funding available through the SCVWD may increase substantially for communities that are taxed for the State Water Project but do not benefit from it.

C. DATA RETENTION Director Evans explained the purpose of the Draft Consumer Data Privacy and Security Policy. The Policy Statement, Section I, is provided below:

With the advancement of technology, public agencies are now able to collect large amounts of detailed information about their customers. For instance, granular usage data from advanced metering systems may reveal information that people may consider private, and the inadvertent release or theft of this data could diminish consumer privacy. At the same time, in order to find innovative ways to provide reliable high-quality water to the public, many utilities are sharing usage data from utility smart meters with customers and customers’ authorized third-party service providers.

In order to protect customer information while continuing to find innovative ways to provide reliable high-quality water at a fair price, the Purissima Hills Water District ("District") now desires to adopt a policy concerning the use and protection of Consumers’ personal information ("Policy"). The District’s customers’ utility usage information is protected from disclosure in certain circumstances under the California Public Records Act, California Government Code Section 6250 et seq. In addition, the District will take reasonable measures to preserve the privacy of Consumers’ personally identifiable information and Consumer usage information. The District also will provide to Consumers the best available Consumer Usage Information regarding their account as part of basic utility service and will take commercially-reasonable measures to make such data available to Consumer’s authorized third-party service providers.

The Board discussed the policy and agreed that it should be approved, but no action was taken. This item will be placed on the December 13, 2017 Board Meeting Consent Calendar for approval.

9. AGENDA ITEMS FOR DECEMBER 13, 2017 BOARD MEETING

Follow up on the agreement with the Town of Los Altos Hills ECC for the antenna installation on La Cresta tank.

10. ADJOURNMENT It was moved by Director Anderson, seconded by Director Solomon, to adjourn the meeting at 7:47 p.m. Motion approved unanimously – voice vote.

Purissima Hills Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2017 and 2016

Service to the Hills Since 1955

Purissima Hills Water District Board of Directors as of June 30, 2017

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Brian Holtz	President	Elected	12/16-12/20
Stephen A. Jordan	Vice President	Elected	12/16-12/20
Robert N. Anderson	Director	Elected	12/14-12/18
Peter Evans	Director	Elected	12/14-12/18
Ernest Solomon	Director	Elected	12/16-12/20

**Purissima Hills Water District
Patrick Walter, General Manager
26375 Fremont Road
Los Altos Hills, California 94022
(650) 948-1217 – www.purissimawater.org**

Purissima Hills Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2017 and 2016

Purissima Hills Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016

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Introductory Section

*Purissima Hills
Water District*



January 10, 2018

Board of Directors
Purissima Hills Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the Purissima Hills Water District (District) for the fiscal years ended June 30, 2017 and 2016, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section offers general information about the District's organization and current District activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying Notes.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

District Structure and Leadership

The Purissima Hills Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District was formed in 1955 and is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs approximately eight regular employees (three full-time employees and one part-time employee in the field, one part-time employee GIS technician, three employees in the office, and one employee on extended medical leave) in addition to a part-time conservation coordinator. The District's Board of Directors meets each month. Meetings are publicly noticed, and citizens are encouraged to attend.

District Services

The Purissima Hills Water District provides service to two-thirds of the Town of Los Altos Hills, a rural community adjacent to the cities of Palo Alto and Los Altos, and unincorporated areas in Santa Clara County to the south. The District serves predominantly single-family homes on minimum one-acre lots. The District's largest customer is Foothill College.

Purissima Hills Water District receives 100% of its water supply from San Francisco Public Utilities Commission (SFPUC) via two turnouts from the Hetch Hetchy pipeline along the Foothill Expressway on the northern edge of the District. The SFPUC water supply is gravity-fed through two 18" transmission mains to two pump stations that pump to tanks distributed throughout the District. The distribution system consists of 4 pressure zones, 11 tanks, 5 pumping stations, 15 pumps, and 80 miles of pipeline. All services within the District are pressurized or gravity fed from tanks in the respective pressure zones. The tanks have a total capacity of 9.88 million gallons.

Economic Condition and Outlook

The District office is located in the Town of Los Altos Hills in Santa Clara County. While the Northern California region is no longer in a drought, the economic outlook for water sales is one of minimal growth. The slow-to-minimal return to pre-drought consumption levels during higher than normal temperatures, and a rate increase, signals that a return to prior revenue levels remains uncertain.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District's Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund and an institutional checking account.

Water Rates and District Revenues

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations, including capital project funding. Accordingly, water rates are reviewed on an annual basis. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed meter standby charge.

Audit and Financial Reporting

State Laws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the Purissima Hills Water District's fiscal policies.

Respectfully submitted,



Patrick Walter
General Manager

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Financial Section

Independent Auditor's Report

Board of Directors
Purissima Hills Water District
Los Altos Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Purissima Hills Water District (District) as of and for the years ended June 30, 2017 and 2016, 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 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 audits 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2017 and 2016, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

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 6 through 10 and required supplementary information on pages 35 and 36 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 introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance. This report can be found on pages 37 and 38.

Fedak & Brown LLP

Cypress, California

January 10, 2018

Purissima Hills Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Purissima Hills Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2017 and 2016. The two year presentation is provided for comparative purposes. 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

- In 2017, the District's net position increased 2.2%, or \$566,719 to \$26,769,616 from ongoing operations. In 2016, the District's net position increased 3.2%, or \$810,773 to \$26,202,897 from ongoing operations.
- In 2017, the District's operating revenues increased 21.4%, or \$937,638, primarily due to an \$939,998 increase in water consumption sales. In 2016, the District's operating revenues decreased 3.5%, or \$159,730, primarily due to an \$183,323 decrease in water consumption sales, which was offset by an increase of \$17,808 in other charges.
- In 2017, the District's operating expenses increased 11.8%, or \$524,711, primarily due to increases of \$353,828 in source of supply, \$71,606 in transmission and distribution, \$43,225 in general and administrative, \$36,921 in pumping, and \$15,153 in customer account expenses. In 2016, the District's operating expenses decreased 1.0%, or \$43,845, primarily due to decreases of \$66,135 in transmission and distribution, \$35,624 in pumping, \$13,606 in general and administrative, and \$6,272 in water treatment expenses, which was offset by increases of \$75,237 in source of supply expenses.

Required Financial Statements

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

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

Purissima Hills Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

Financial Analysis of the District, continued

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 34.

Statements of Net Position

Condensed Statements of Net Position

	2017	2016	Change
Assets:			
Current assets	\$ 1,788,551	1,774,808	13,743
Capital assets, net	25,930,929	25,490,712	440,217
Total assets	27,719,480	27,265,520	453,960
Deferred Outflows of resources	190,717	69,787	120,930
Liabilities:			
Current liabilities	576,483	681,179	(104,696)
Non-current liabilities	443,593	235,576	208,017
Total liabilities	1,020,076	916,755	103,321
Deferred inflows of resources	120,505	215,655	(95,150)
Net position:			
Net investment in capital assets	25,930,929	25,490,712	440,217
Unrestricted	838,687	712,185	126,502
Total net position	\$ 26,769,616	26,202,897	566,719

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$26,769,616 and \$26,202,897, as of June 30, 2017 and 2016, respectively.

Purissima Hills Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

Statements of Net Position, continued

By far the largest portion of the District's net position (97% as of June 30, 2017 and 2016, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2017 and 2016, the District showed a positive balance in its unrestricted net assets of \$838,687 and \$712,185, respectively, which may be utilized in future years. See note 7 for further discussion.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 5,315,690	4,378,052	937,638
Non-operating revenues	1,084,452	1,045,092	39,360
Total revenues	<u>6,400,142</u>	<u>5,423,144</u>	<u>976,998</u>
Expenses:			
Operating expenses	4,974,810	4,450,099	524,711
Depreciation and amortization	899,937	844,050	55,887
Non-operating expenses	655	-	655
Total expenses	<u>5,875,402</u>	<u>5,294,149</u>	<u>581,253</u>
Net income before capital contributions	<u>524,740</u>	<u>128,995</u>	<u>395,745</u>
Capital contributions:	<u>41,979</u>	<u>681,778</u>	<u>(639,799)</u>
Change in net position	<u>566,719</u>	<u>810,773</u>	<u>(244,054)</u>
Net position – beginning of year	<u>26,202,897</u>	<u>25,392,124</u>	<u>810,773</u>
Net position – end of year	<u>\$ 26,769,616</u>	<u>26,202,897</u>	<u>566,719</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased in fiscal year 2017 by \$566,719, from ongoing operations. In fiscal year 2016, net position increased by \$810,773, from ongoing operations.

A closer examination of the sources of changes in net position reveals that:

In 2017, the District's operating revenues increased 21.4%, or \$937,638, primarily due to an \$939,998 increase in water consumption sales.

In 2016, the District's operating revenues decreased 3.5%, or \$159,730, primarily due to an \$183,323 decrease in water consumption sales, which was offset by an increase of \$17,808 in other charges.

Purissima Hills Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

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

In 2017, the District's operating expenses increased 11.8%, or \$524,711, primarily due to increases of \$353,828 in source of supply, \$71,606 in transmission and distribution, \$43,225 in general and administrative, \$36,921 in pumping, and \$15,153 in customer account expenses.

In 2016, the District's operating expenses decreased 1.0%, or \$43,845, primarily due to decreases of \$66,135 in transmission and distribution, \$35,624 in pumping, \$13,606 in general and administrative, and \$6,272 in water treatment expenses, which was offset by increases of \$75,237 in source of supply expenses.

Capital Asset Administration

At the end of fiscal year 2017 and 2016, the District's investment in capital assets amounted to \$25,930,929 and \$25,490,712 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, tanks, pumps, buildings, equipment, vehicles and construction-in-process, etc. Major capital assets additions during the year include improvements to portions the District's transmission and distribution system, upgrades to the pumping plant and additions to general plant and equipment assets.

Changes in capital assets amounts for 2017 were as follows:

	<u>Balance 2016</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2017</u>
Capital assets:				
Non-depreciable assets	\$ 357,715	1,332,812	(1,193,095)	497,432
Depreciable assets	38,304,210	1,200,437	-	39,504,647
Accumulated depreciation and amortization	<u>(13,171,213)</u>	<u>(899,937)</u>	<u>-</u>	<u>(14,071,150)</u>
Total capital assets, net	<u>\$ 25,490,712</u>	<u>1,633,312</u>	<u>(1,193,095)</u>	<u>25,930,929</u>

Changes in capital assets amounts for 2016 were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2016</u>
Capital assets:				
Non-depreciable assets	\$ 688,961	2,252,913	(2,584,159)	357,715
Depreciable assets	35,738,665	2,565,545	-	38,304,210
Accumulated depreciation and amortization	<u>(12,327,163)</u>	<u>(844,050)</u>	<u>-</u>	<u>(13,171,213)</u>
Total capital assets, net	<u>\$ 24,100,463</u>	<u>3,974,408</u>	<u>(2,584,159)</u>	<u>25,490,712</u>

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results based on past, present and future events.

Purissima Hills Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

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's General Manager at 26375 Fremont Road, Los Altos Hills, CA 94022.

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Basic Financial Statements

Purissima Hills Water District
Statements of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 578,142	711,517
Accrued interest receivable	744	660
Accounts receivable – water sales and services, net	868,018	691,167
Accounts receivable – other	11,983	38,206
Water in storage inventory	9,329	10,184
Materials and supplies inventory	279,726	282,931
Prepays and deposits	<u>40,609</u>	<u>40,143</u>
Total current assets	<u>1,788,551</u>	<u>1,774,808</u>
Non-current assets:		
Capital assets, net (note 3)	<u>25,930,929</u>	<u>25,490,712</u>
Total non-current assets	<u>25,930,929</u>	<u>25,490,712</u>
Total assets	<u>27,719,480</u>	<u>27,265,520</u>
Deferred outflows of resources:		
Deferred pension outflows (note 6)	<u>190,717</u>	<u>69,787</u>
Total deferred outflows of resources	<u>190,717</u>	<u>69,787</u>
Current liabilities:		
Accounts payable and accrued expenses	481,152	573,958
Accrued salaries and wages	5,707	8,981
Customer deposits and unearned revenue	69,072	92,448
Long-term liabilities – due within one year:		
Compensated absences (note 4)	<u>20,552</u>	<u>5,792</u>
Total current liabilities	<u>576,483</u>	<u>681,179</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Net pension liability (note 6)	<u>443,593</u>	<u>235,576</u>
Total non-current liabilities	<u>443,593</u>	<u>235,576</u>
Total liabilities	<u>1,020,076</u>	<u>916,755</u>
Deferred inflows of resources:		
Deferred pension inflows (note 6)	<u>120,505</u>	<u>215,655</u>
Total deferred inflows of resources	<u>120,505</u>	<u>215,655</u>
Net position: (note 7)		
Net investment in capital assets	25,930,929	25,490,712
Unrestricted	<u>838,687</u>	<u>712,185</u>
Total net position	<u>\$ 26,769,616</u>	<u>26,202,897</u>

See accompanying notes to the basic financial statements

Purissima Hills Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Water consumption sales	\$ 4,729,676	3,789,678
Service charges	487,010	491,420
Other charges	99,004	96,954
Total operating revenues	5,315,690	4,378,052
Operating expenses:		
Source of supply	3,128,605	2,774,777
Pumping	257,930	221,009
Transmission and distribution	772,676	701,070
Water treatment	18,257	14,279
Customer accounts	125,220	110,067
General and administrative	672,122	628,897
Total operating expenses	4,974,810	4,450,099
Operating income before depreciation and amortization	340,880	(72,047)
Depreciation and amortization	(899,937)	(844,050)
Operating loss	(559,057)	(916,097)
Non-operating revenue (expense)		
Property taxes	859,364	834,087
Rental income – cellular antennas	223,067	208,161
Investment earnings and interest	2,021	2,844
Interest expense – long-term debt	(655)	-
Total non-operating revenues, net	1,083,797	1,045,092
Net income before capital contributions	524,740	128,995
Capital contributions:		
Connection fees	41,979	57,374
Contributed capital – Fire Department	-	624,404
Total capital contributions	41,979	681,778
Change in net position	566,719	810,773
Net position – beginning of year	26,202,897	25,392,124
Net position – end of year	\$ 26,769,616	26,202,897

See accompanying notes to the basic financial statements

Purissima Hills Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 5,128,389	4,168,489
Cash paid to employees for salaries, wages and benefits	(988,425)	(1,010,012)
Cash paid to vendors and suppliers for water and power	(3,385,680)	(2,992,194)
Cash paid to vendors and suppliers for materials and services	(673,197)	(476,011)
Net cash provided by (used in) operating activities	<u>81,087</u>	<u>(309,728)</u>
Cash flows from non-capital financing activities:		
Proceeds from rental income – cellular antennas	223,067	208,161
Proceeds from property taxes	859,364	834,087
Net cash provided by non-capital financing activities	<u>1,082,431</u>	<u>1,042,248</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,340,154)	(2,234,302)
Capital contributions	41,979	681,778
Interest paid on long-term debt	(655)	-
Net cash used in capital and related financing activities	<u>(1,298,830)</u>	<u>(1,552,524)</u>
Cash flows from investing activities:		
Interest earnings	1,937	3,069
Net cash provided by investing activities	<u>1,937</u>	<u>3,069</u>
Net decrease in cash and cash equivalents	(133,375)	(816,935)
Cash and cash equivalents – beginning of year	<u>711,517</u>	<u>1,528,452</u>
Cash and cash equivalents – end of year	<u>\$ 578,142</u>	<u>711,517</u>
Reconciliation of cash and cash equivalents to statements of financial position:		
Cash and cash equivalents	\$ <u>578,142</u>	<u>711,517</u>
Total cash and cash equivalents	<u>\$ 578,142</u>	<u>711,517</u>

Continued on next page

See accompanying notes to the basic financial statements

Purissima Hills Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2017</u>	<u>2016</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ <u>(559,057)</u>	<u>(916,097)</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Deprecation and amortization	899,937	844,050
Change in assets – (increase) decrease:		
Accounts receivable	(150,628)	(253,686)
Inventory	4,060	5,139
Prepays and deposits	(466)	12,705
Changes in deferred outflows – increase	(120,930)	(17,526)
Change in liabilities – increase (decrease):		
Accounts payable and accrued expenses	(92,806)	13,386
Accrued salaries and wages	(3,274)	1,216
Compensated absences	14,760	(734)
Customer deposits and unearned revenue	(23,376)	39,702
Net pension liability	208,017	(77,613)
Changes in deferred inflows – (decrease) increase	<u>(95,150)</u>	<u>39,730</u>
Total adjustments	<u>640,144</u>	<u>606,369</u>
Net cash provided by (used in) operating activities	\$ <u><u>81,087</u></u>	<u><u>(309,728)</u></u>
Non-cash financing and investing, capital, and financing transaction:		
Change in fair-market value of funds deposited with LAIF	\$ <u><u>(426)</u></u>	<u><u>174</u></u>

See accompanying notes to the basic financial statements

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Purissima Hills Water District (District) was formed in 1955 and provides service to two-thirds of the Town of Los Altos Hills, a rural community adjacent to the cities of Palo Alto and Los Altos, and unincorporated areas in Santa Clara County to the south. The District serves predominantly single-family homes on minimum one-acre lots. The District's largest customer is Foothill College. The District is governed by a five-member Board of Directors who each serves four year terms.

Purissima Hills Water District receives 100% of its water supply from San Francisco Public Utilities Commission (SFPUC) via two turnouts from the Hetch Hetchy pipeline along the Foothill Expressway on the northern edge of the District. The SFPUC water supply is gravity-fed through 18" transmission mains to two pump stations that pump to tanks distributed throughout the District. The distribution system consists of 4 pressure zones, 11 tanks, 5 pumping stations, 15 pumps, and 80 miles of pipe. All services within the District are pressurized or gravity fed from tanks in the respective pressure zones. The tanks have a total capacity of 10 million gallons.

Basis of Accounting and Measurement Focus

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

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

Financial Reporting

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

Accounting Pronouncements

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies, continued

Accounting Pronouncements, continued

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

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. There currently is no impact of the implementation of this Statement to the District's financial statements at this time.

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development.

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria.

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies, continued

Accounting Pronouncements, continued

In March 2016, the GASB issued Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior Year Financial Data Presentation

In 2017, the District has presented the annual financial statements with prior year data for comparative purposes.

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

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

Fair Value Measurements

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

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

Accounts Receivable and Allowance for Uncollectible Accounts

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

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies, continued

Property Taxes and Assessments

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

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

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

Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

Prepays

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution mains – 33 to 50 years
- Buildings – 33 years
- Transportation and other equipment – 10 years
- Computer and office equipment – 5 years

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies, continued

Deferred Outflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. Included is a deferred outflow related to pensions equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year. Additionally, a deferred outflow related to pensions for the net differences between expected and actual experience will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of the measurement date June 30, 2016 and 2015, which is a 3.7 and 3.8 year period, respectively. Additionally, a deferred outflow related to pensions for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position will be amortized over a 5 year period.

Compensated Absences

The District's policy is to permit employees to accumulate earned vacation up to a total of 240 hours with amounts exceeding the limit being paid out as part of the employee's regular compensation. Upon termination of employment, employees are paid all unused vacation and forfeit any unused sick time.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

- Valuation Date: June 30, 2015 and 2014
- Measurement Date: June 30, 2016 and 2015
- Measurement Period: July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015

Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions for the net changes in assumptions, net differences between the actual employer contributions and the proportionate share of contributions and net changes in proportions amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of the measurement date June 30, 2016 and 2015, which is a 3.7 and 3.8 year period, respectively.

Water Sales

Water sales are billed on a monthly cyclical basis.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies, continued

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net Investment in Capital Assets* – Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – Unrestricted consists of any remaining balance of the District’s net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Note 2 – Cash and Investments

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

	2017	2016
Cash and cash equivalents	\$ 578,142	711,517

Cash and cash equivalents as of June 30, consist of the following:

	2017	2016
Petty cash	\$ 1,938	428
Deposits with financial institutions	174,272	431,059
Local Agency Investment Fund (LAIF)	401,932	280,030
Total cash and cash equivalents	\$ 578,142	711,517

As of June 30, the District's authorized deposits had the following maturities:

	2017	2016
Deposits held with California Local Agency Investment Fund (LAIF)	194 days	167 days

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 2 – Cash and Investments, continued

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does 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 total amount deposited by the public agencies. Of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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

Investment in State Investment Pool

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

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 2 – Cash and Investments, continued

Investment in State Investment Pool, continued

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

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments at June 30, 2017 and 2016, respectively.

Fair Value Measurements

At June 30, 2017 and 2016 the District did not hold any investments which require measurement at fair value on a recurring and non-recurring basis.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 3 – Capital Assets

Changes in capital assets for 2017 were as follows:

	<u>Balance 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2017</u>
Non-depreciable assets:				
Land & land rights	\$ 180,099	-	-	180,099
Construction-in-process	177,616	1,332,812	(1,193,095)	317,333
Total non-depreciable assets	<u>357,715</u>	<u>1,332,812</u>	<u>(1,193,095)</u>	<u>497,432</u>
Depreciable assets:				
Supply plant	235,560	-	-	235,560
Pumping plant	2,555,543	16,047	-	2,571,590
Transmission and distribution mains	33,329,064	1,108,032	-	34,437,096
General plant and equipment	2,184,043	76,358	-	2,260,401
Total depreciable assets	<u>38,304,210</u>	<u>1,200,437</u>	<u>-</u>	<u>39,504,647</u>
Accumulated depreciation and amortization	<u>(13,171,213)</u>	<u>(899,937)</u>	<u>-</u>	<u>(14,071,150)</u>
Total depreciable assets, net	<u>25,132,997</u>	<u>300,500</u>	<u>-</u>	<u>25,433,497</u>
Total capital assets, net	<u>\$ 25,490,712</u>			<u>25,930,929</u>

In 2017, major capital assets additions include upgrades and extensions of the District's transmission and distribution mains, upgrades to the pumping plant and additions to general plant and equipment.

Changes in capital assets for 2016 were as follows:

	<u>Balance 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2016</u>
Non-depreciable assets:				
Land & land rights	\$ 180,099	-	-	180,099
Construction-in-process	508,862	2,252,913	(2,584,159)	177,616
Total non-depreciable assets	<u>688,961</u>	<u>2,252,913</u>	<u>(2,584,159)</u>	<u>357,715</u>
Depreciable assets:				
Supply plant	235,560	-	-	235,560
Pumping plant	2,491,347	64,196	-	2,555,543
Transmission and distribution mains	30,874,891	2,454,173	-	33,329,064
General plant and equipment	2,136,867	47,176	-	2,184,043
Total depreciable assets	<u>35,738,665</u>	<u>2,565,545</u>	<u>-</u>	<u>38,304,210</u>
Accumulated depreciation and amortization	<u>(12,327,163)</u>	<u>(844,050)</u>	<u>-</u>	<u>(13,171,213)</u>
Total depreciable assets, net	<u>23,411,502</u>	<u>1,721,495</u>	<u>-</u>	<u>25,132,997</u>
Total capital assets, net	<u>\$ 24,100,463</u>			<u>25,490,712</u>

In 2016, major capital assets additions include upgrades and extensions of the District's transmission and distribution mains, upgrades to the pumping plant and additions to general plant and equipment.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 3 – Capital Assets, continued

Construction-In-Process

The District is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset. The balance of construction-in-process was \$317,333 and \$177,616 at June 30, 2017 and 2016, respectively.

Note 4 – Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District’s liability for compensated absences is determined annually.

Changes to compensated absences balances at June 30, were as follows:

<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<u>2016</u>			<u>2017</u>
\$ <u>5,792</u>	<u>76,796</u>	<u>(62,035)</u>	<u>20,552</u>
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<u>2015</u>			<u>2016</u>
\$ <u>6,526</u>	<u>68,414</u>	<u>(69,148)</u>	<u>5,792</u>

Note 5 – Line of Credit

On July 13, 2016, the District entered into a revolving line of credit agreement with the Bank of the West to assist the District in meeting its daily cash flow requirements during the drought. Bank of the West has committed to loan the District \$500,000 with an annual fee of \$500 and a stated interest rate of prime plus 0.50% for the amount borrowed.

On June 30, 2017, the District’s outstanding balance was \$0. At June 30, 2017, the District incurred interest expense for funds drawn throughout the fiscal year of \$655.

Note 6 – Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

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

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 6 – Defined Benefit Pension Plan, continued

Benefits Provided, continued

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plans' provision and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	7.809%	6.37%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions for the District's Plan were as follows:

	Miscellaneous Plan	
	2017	2016
Contributions – employer	\$ 71,068	66,959
Contributions – employee (paid by employer)	43,433	43,180
Total employer paid contributions	<u>\$ 114,501</u>	<u>110,139</u>

Net Pension Liability

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

	Proportionate Share of Net Pension Liability	
	2017	2016
Miscellaneous Plan	<u>\$ 443,593</u>	<u>235,576</u>

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 6 – Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016 and 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014, rolled forward to June 30, 2016 and 2015, using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the pension liability for the District’s Plan as of the measurement dates June 30, 2015 and 2016, were as follows:

	Miscellaneous Plan
Proportion – June 30, 2015	0.00343%
Proportion – June 30, 2016	0.00513%
Change – Increase (Decrease)	0.00169%

The District’s proportionate share of the pension liability for the District’s Plan as of the measurement dates June 30, 2014 and 2015, were as follows:

	Miscellaneous Plan
Proportion – June 30, 2014	0.00503%
Proportion – June 30, 2015	0.00343%
Change – Increase (Decrease)	-0.00160%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2017 and 2016, the District recognized pension expense of \$63,005 and \$11,551, respectively.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 6 – Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 71,068	-
Differences between actual and expected experience	1,844	-
Changes in assumptions	-	(22,634)
Net differences between projected and actual earnings on plan investments	117,805	-
Differences between actual contribution and proportionate share of contribution	-	(48,026)
Net adjustment due to differences in proportions of net pension liability	-	(49,845)
Total	<u>\$ 190,717</u>	<u>(120,505)</u>

As of June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 66,959	-
Differences between actual and expected experience	2,828	-
Changes in assumptions	-	(26,751)
Net differences between projected and actual earnings on plan investments	-	(13,411)
Differences between actual contribution and proportionate share of contribution	-	(33,384)
Net adjustment due to differences in proportions of net pension liability	-	(142,109)
Total	<u>\$ 69,787</u>	<u>(215,655)</u>

As of June 30, 2017 and 2016, employer pension contributions of \$71,068 and \$66,959, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018 and 2017, respectively.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 6 – Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2017, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30:	Deferred Net Outflows/(Inflows) of Resources
2017	\$ (52,552)
2018	(38,929)
2019	61,408
2020	29,217
2021	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015 actuarial valuation reports were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015 and 2014
Measurement Date	June 30, 2016 and 2015
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
 Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 6 – Defined Benefit Pension Plan, continued

Discount Rate, continued

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 the 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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

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

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

At June 30, 2017, the discount rate comparison was the following:

	<u>Discount Rate - 1% 6.65%</u>	<u>Current Discount Rate 7.65%</u>	<u>Discount Rate + 1% 8.65%</u>
District's Net Pension Liability \$	<u>674,907</u>	<u>443,593</u>	<u>253,156</u>

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 6 – Defined Benefit Pension Plan, continued

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

At June 30, 2016, the discount rate comparison was the following:

	Discount Rate - 1% 6.65%	Prior Discount Rate 7.65%	Discount Rate + 1% 8.65%
District's Net Pension Liability	\$ 384,651	235,576	112,978

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 35 and 36 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2017 and 2016, the District reported no payables for the outstanding amount of contribution to the pension plan.

Note 7 – Net Position

Calculation of net position as of June 30, were as follows:

	2017	2016
Net investment in capital assets:		
Capital assets, net	\$ 25,930,929	25,490,712
Total net investment in capital assets	25,930,929	25,490,712
Unrestricted net position:		
Non-spendable net position:		
Water in storage inventory	9,329	10,184
Materials and supplies inventory	279,726	282,931
Prepaid expenses and deposits	40,609	40,143
Total non-spendable net position	329,664	333,258
Spendable net position is designated as follows:		
Undesignated net position reserve	509,023	378,927
Total spendable net position	509,023	378,927
Total unrestricted net position	838,687	712,185
Total net position	\$ 26,769,616	26,202,897

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2017, the District participates in the ACWA/JPIA pooled programs for liability, property, and workers' compensation programs as follows:

- General and auto liability, public officials and employees' errors and omissions: The ACWA/JPIAs total risk financing self-insurance limits of \$5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$55 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

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

- Crime coverage up to \$100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer and funds transfer fraud coverage's, subject to \$1,000 deductible per loss.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$150 million per loss, subject to a \$5,000 deductible per loss. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to \$5,000 deductible per loss.
- Boiler and machinery coverage for the replacement cost up to \$150 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Underground storage tank pollution liability: pooled self-insured limit of \$500,000 per environmental accident claim with \$3,000,000 annual aggregate limit; and a \$750,000 claims expense aggregate, subject to a \$10,000 per incident deductible.
- Workers' compensation coverage up to California statutory limits for all work related injuries/illnesses covered by California law; a pooled self-insured limit of \$2,000,000.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2017, 2016 and 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2017, 2016, and 2015, respectively.

Note 10 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 10 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 75, continued

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 10 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 84, continued

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Purissima Hills Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

Note 11 – Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to an audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant. The District has not received grant funding in fiscal years ended June 30, 2017 and 2016, respectively.

Litigation

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

Note 12 – Subsequent Event

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of January 10, 2018, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Purissima Hills Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2017
Last Ten Years*

<u>Description</u>	<u>Measurement Date 6/30/2016</u>	<u>Measurement Date 6/30/2015</u>	<u>Measurement Date 6/30/2014</u>
District's Proportion of the Net Pension Liability	0.00513%	0.00343%	0.00503%
District's Proportionate Share of the Net Pension Liability \$	443,593	235,576	313,189
District's Covered-Employee Payroll \$	617,228	591,003	563,729
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	71.87%	39.86%	55.56%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	86.22%	92.10%	89.10%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2016, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2016, there were no changes in the assumptions.

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015 was the first year of implementation required by GASB 68 & 71, therefore only three years are shown.

Purissima Hills Water District
Schedules of Pension Plan Contributions
As of June 30, 2017
Last Ten Years*

<u>Schedule of Pension Plan Contributions:</u>	<u>Fiscal Year 6/30/2017</u>	<u>Fiscal Year 6/30/2016</u>	<u>Fiscal Year 6/30/2015</u>	<u>Fiscal Year 6/30/2014</u>
Actuarially Determined Contribution	\$ 70,143	66,307	22,925	43,152
Contributions in Relation to the Actuarially Determined Contribution	<u>(71,068)</u>	<u>(66,959)</u>	<u>(49,680)</u>	<u>(43,152)</u>
Contribution Deficiency (Excess)	\$ <u>(925)</u>	<u>(652)</u>	<u>(26,755)</u>	<u>-</u>
Covered Payroll	\$ <u>635,362</u>	<u>617,228</u>	<u>591,003</u>	<u>563,729</u>
Contribution's as a percentage of Covered-employee Payroll	<u>11.04%</u>	<u>10.74%</u>	<u>3.88%</u>	<u>7.65%</u>

Notes:

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015 was the first year of implementation required by GASB 68 & 71, therefore only four years are shown.

Report on Internal Controls and Compliance

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Purissima Hills Water District
Los Altos Hills, 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 Purissima Hills Water District (District), as of and for the years June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 10, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards, (continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Cypress, California

January 10, 2018

Purissima Hills Water District

Management Report

June 30, 2017

Purissima Hills Water District

Management Report

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Board of Directors
Purissima Hills Water District
Los Altos Hills, California

Dear Members of the Board:

We have audited the basic financial statements of the Purissima Hills Water District (District) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America. We considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of District internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a deficiency, or combination of deficiencies in internal control that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected and corrected, on a timely basis.

Our consideration on internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

Summary of Current Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2017.

Summary of Prior Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2016.

* * * * *

This report is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

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

APPENDIX

Purissima Hills Water District

Audit/Finance Committee Letter

June 30, 2017

Board of Directors
Purissima Hills Water District
Los Altos Hills, California

We have audited the basic financial statements of the Purissima Hills Water District (District) for the year ended June 30, 2017 and 2016 and have issued our report thereon dated January 10, 2018. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated March 13, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management at the Audit Entrance Conference meeting performed during interim fieldwork.

Qualitative Aspects of Accounting Practices

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

We noted no transactions entered into by the District during fiscal years 2017 and 2016 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the position in the basic financial statements are:

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

Management's estimate of the allowance for delinquent/doubtful accounts is based on historical write-offs of past due delinquent/doubtful customer accounts, customer creditworthiness, and calculated assumptions of expected future write-offs. We evaluated the key factors and assumptions used to develop the allowance for delinquent/doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements are:

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

The disclosure of the District's allowance for delinquent/doubtful accounts in Note 1 to the basic financial statements represents amounts susceptible to external factors the District has no control over, such as, the state of the economy in the District's service area.

The disclosure of capital assets, net in Note 3 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's defined benefit pension plan in Note 6 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There were five total adjustments to the original trial balance presented to us to begin our audit. Of the five adjustments; one was prepared by the client. Four of the adjustments related to the third-year implementation of GASB 68 & 71. We have provided a listing of these audit adjustments to the District's management and have included them at the end of this report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated January 10, 2018.

Conclusion

We appreciate the cooperation extended us by Patrick Walter, General Manager, in the performance of our audit testwork.

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

Conclusion, continued

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

Fedak & Brown LLP
Cypress, California
January 10, 2018

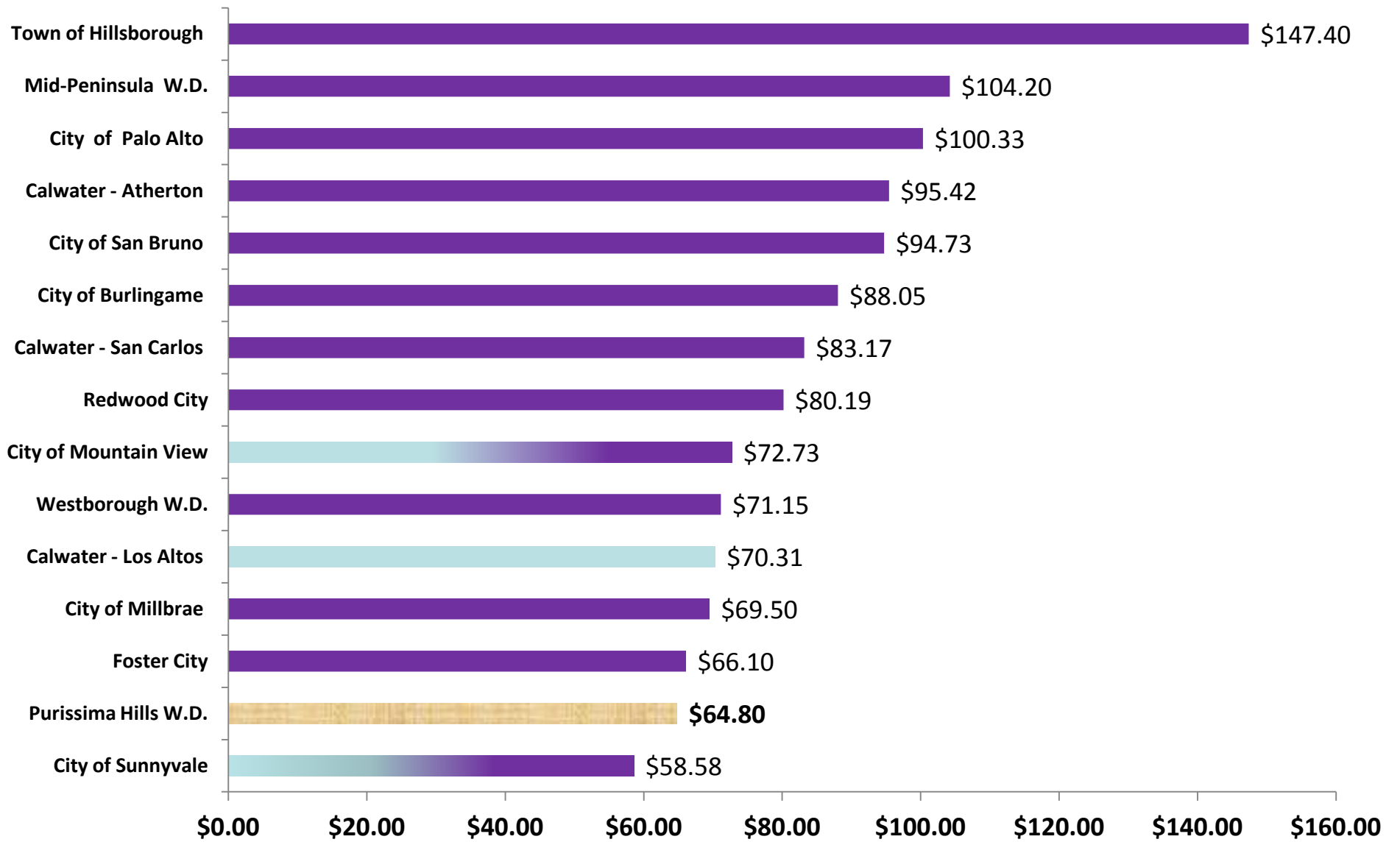
**Purissima Hills Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2017**

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
GASB 68 Entry #1 - To reclassify 2016 contributions to net pension liability at June 30, 2017.			
2900-00	Net Pension Liability	66,959.00	
1950-00	Deferred Outflows of Resources		66,959.00
Total		<u>66,959.00</u>	<u>66,959.00</u>
Adjusting Journal Entries JE # 2			
GASB 68 Entry #2 - To reclassify 2017 contributions to Deferred Outflows of Resources at June 30, 2017.			
1950-00	Deferred Outflows of Resources	71,068.00	
5588-02	GASB 68 Adjustment - O&M		40,509.00
5713-01	GASB 68 Adjustment - C&A		5,685.00
5813-01	GASB 68 Adjustment - G&A		24,874.00
Total		<u>71,068.00</u>	<u>71,068.00</u>
Adjusting Journal Entries JE # 3			
GASB 68 Entry #3 - To record changes in pension outflows, pension inflows and net pension liability during FY16/17 at June 30, 2017.			
1950-00	Deferred Outflows of Resources	36.00	
1950-00	Deferred Outflows of Resources	146,085.00	
2950-00	Deferred Inflow of Resources	57,338.00	
2950-00	Deferred Inflow of Resources	13,411.00	
5588-02	GASB 68 Adjustment - O&M	65,762.00	
5713-01	GASB 68 Adjustment - C&A	9,230.00	
5813-01	GASB 68 Adjustment - G&A	40,380.00	
1950-00	Deferred Outflows of Resources		13,411.00
2900-00	Net Pension Liability		274,976.00
2950-00	Deferred Inflow of Resources		7,451.00
2950-00	Deferred Inflow of Resources		36,404.00
Total		<u>332,242.00</u>	<u>332,242.00</u>
Adjusting Journal Entries JE # 4			
GASB 68 Entry #4 - To record changes in the deferred outflows and deferred inflows (amortization) during FY16/17 at June 30, 2017.			
2950-00	Deferred Inflow of Resources	11,568.00	
2950-00	Deferred Inflow of Resources	21,762.00	
2950-00	Deferred Inflow of Resources	34,926.00	
1950-00	Deferred Outflows of Resources		1,020.00
1950-00	Deferred Outflows of Resources		14,869.00
5588-02	GASB 68 Adjustment - O&M		29,850.00
5713-01	GASB 68 Adjustment - C&A		4,189.00
5813-01	GASB 68 Adjustment - G&A		18,328.00
Total		<u>68,256.00</u>	<u>68,256.00</u>
Adjusting Journal Entries JE # 5			
CPE - To correct vacation accrual for overdrawn employee vacation time June 30, 2017.			
2185-00	Vacation Payable	12,600.00	
1107-00	A/R - Employer Reimbursement		12,600.00
Total		<u>12,600.00</u>	<u>12,600.00</u>
Total Adjusting Journal Entries		<u>551,125.00</u>	<u>551,125.00</u>
Total All Journal Entries		<u>551,125.00</u>	<u>551,125.00</u>

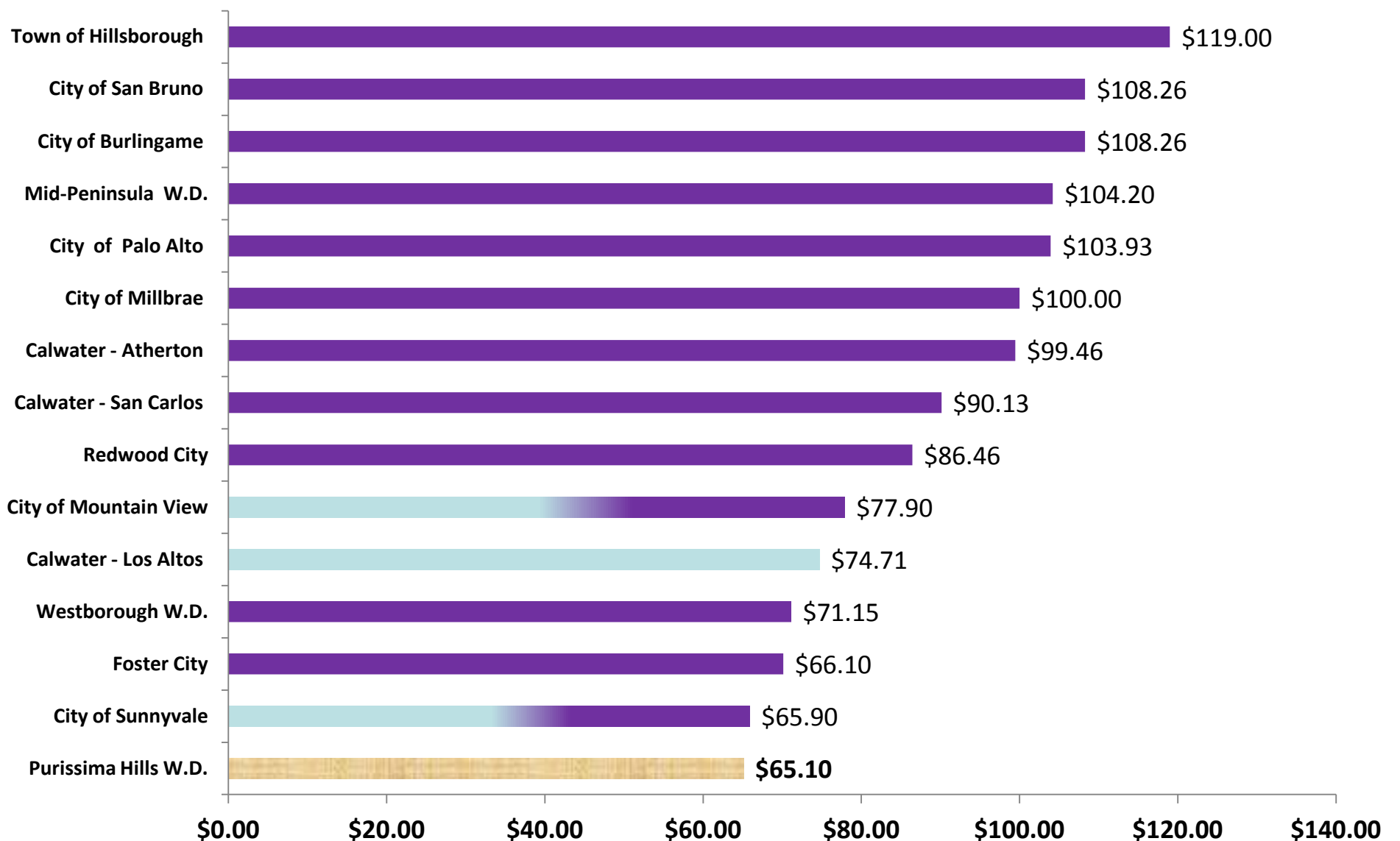
Legend:

GASB 68 Entry	GASB 68 year three implementation adjusting journal entry
CPE	Client prepared journal entry

Comparison of Water Bills using Other Agencies' Rates in the Area Residential Median Winter Usage – 10 CCF

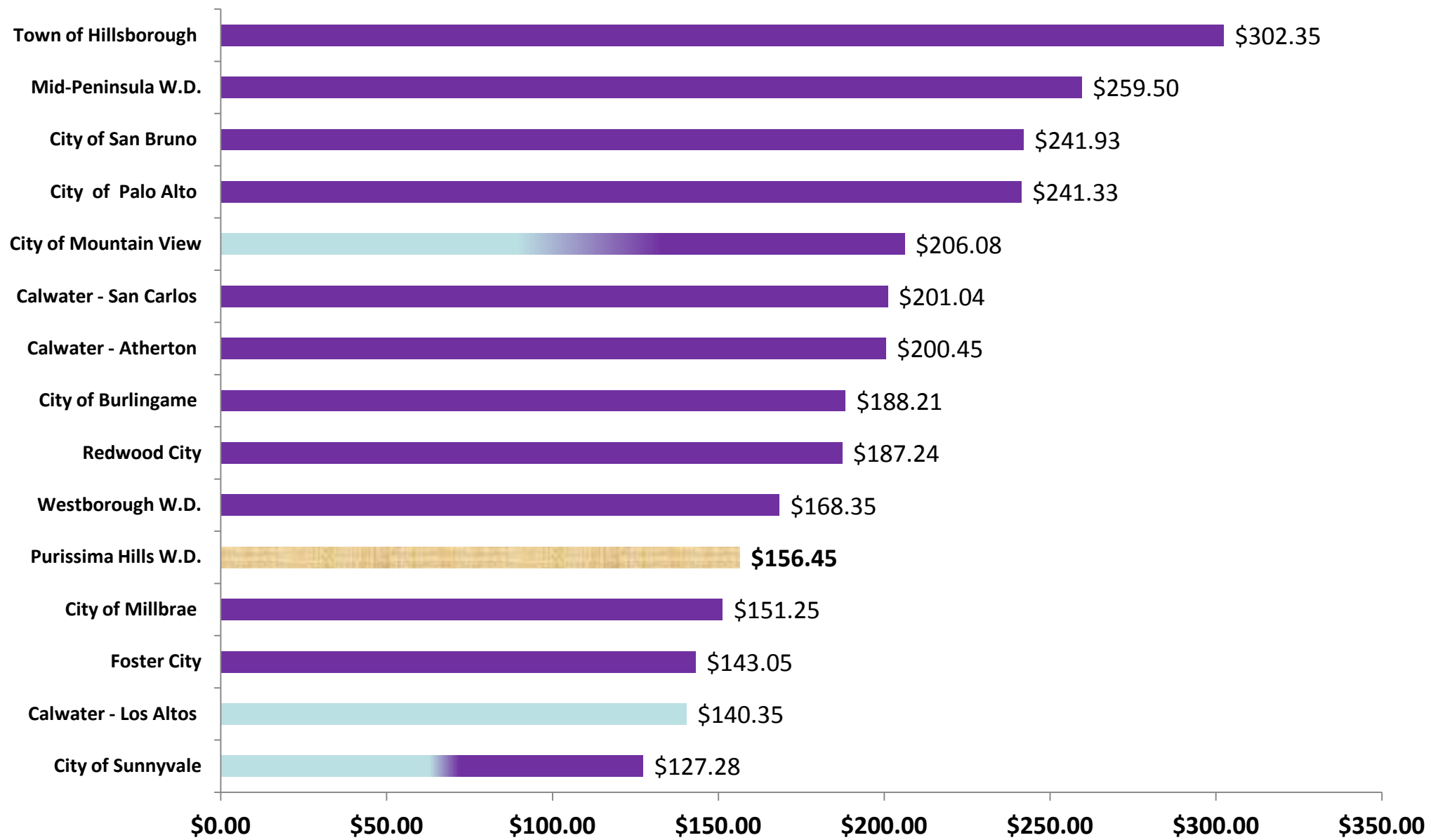


Last Update: November 2016

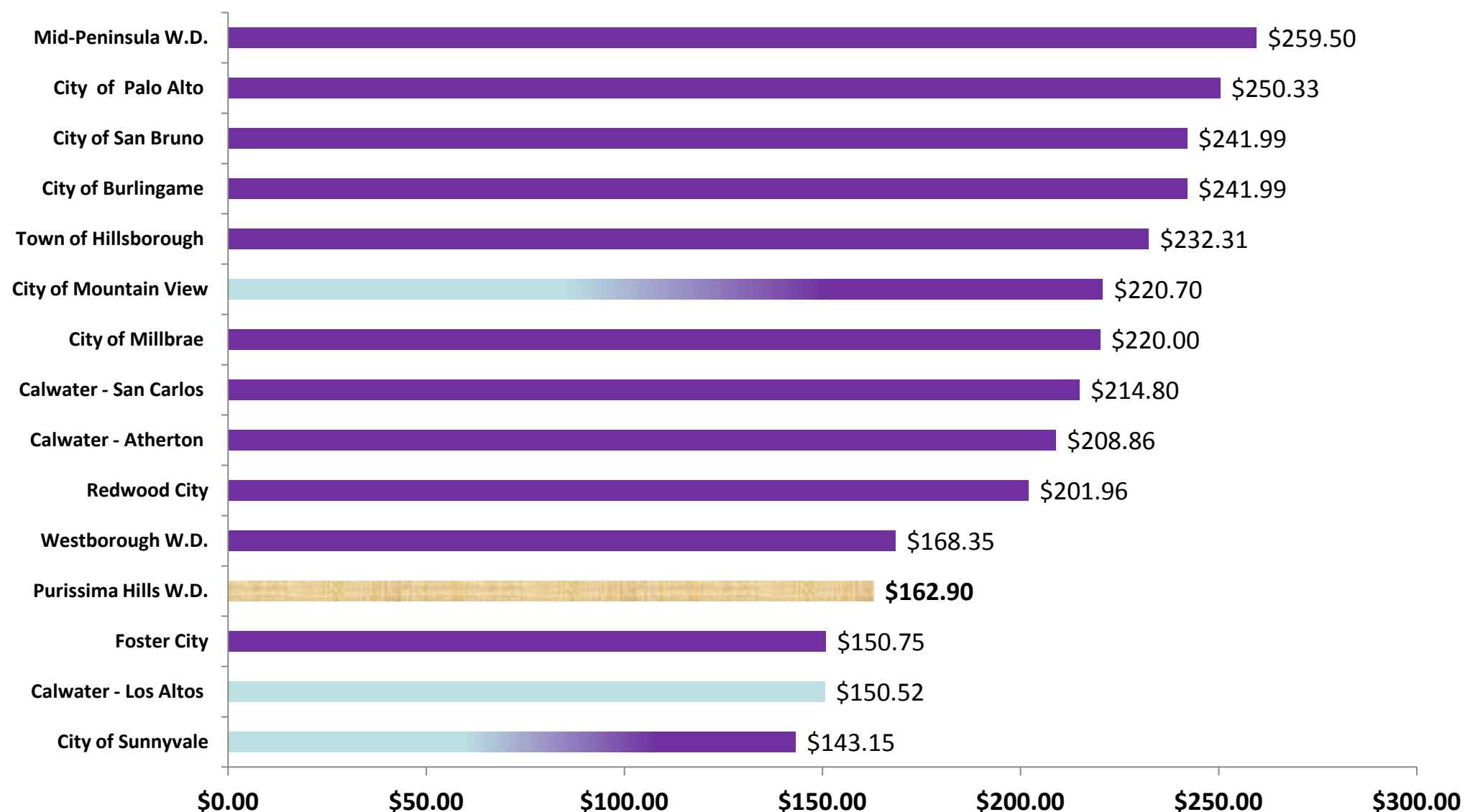


Last Update: November 2017

Comparison of Water Bills using Other Agencies' Rates in the Area Residential Average Annual Usage – 25 CCF

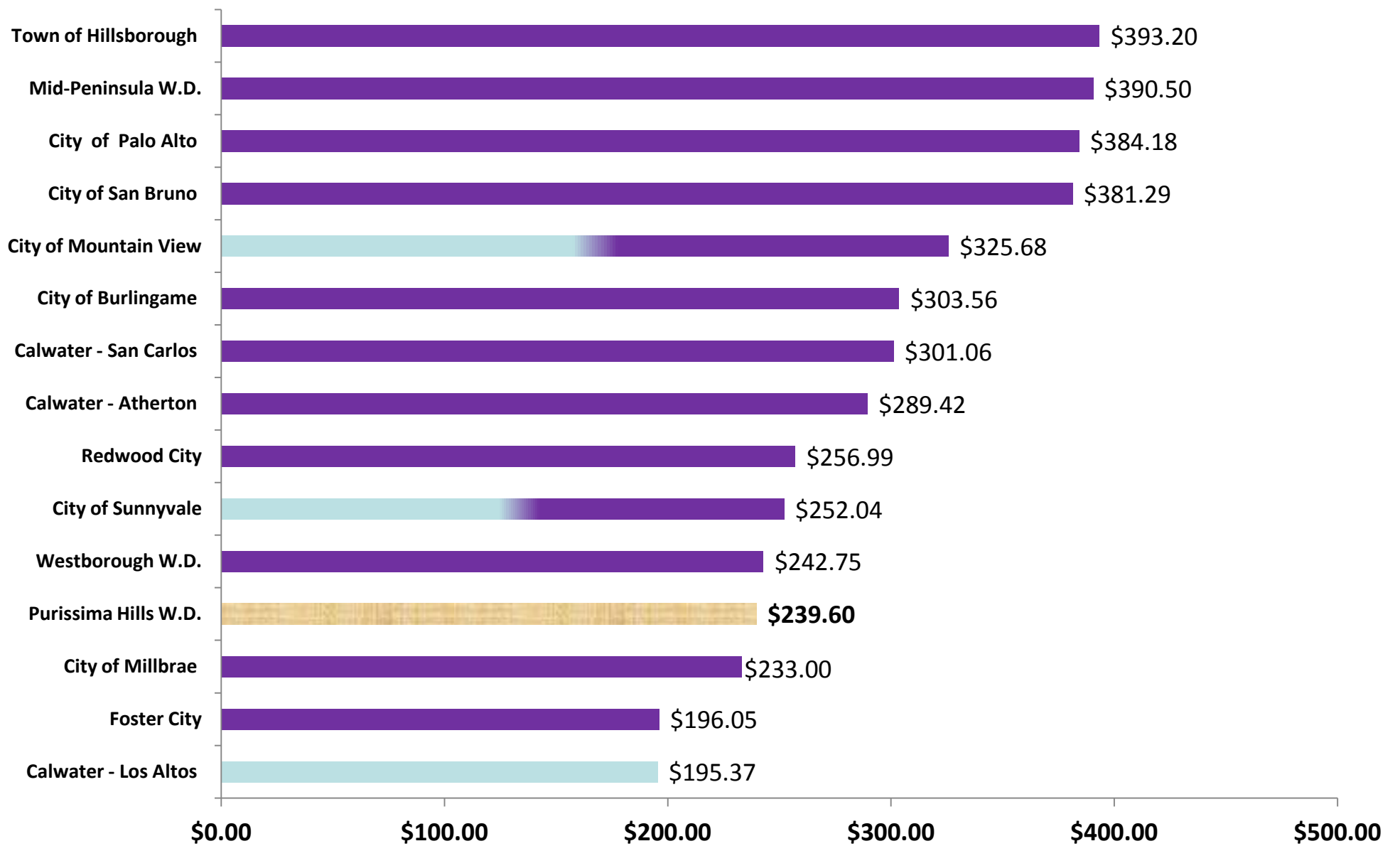


Last Update: November 2016

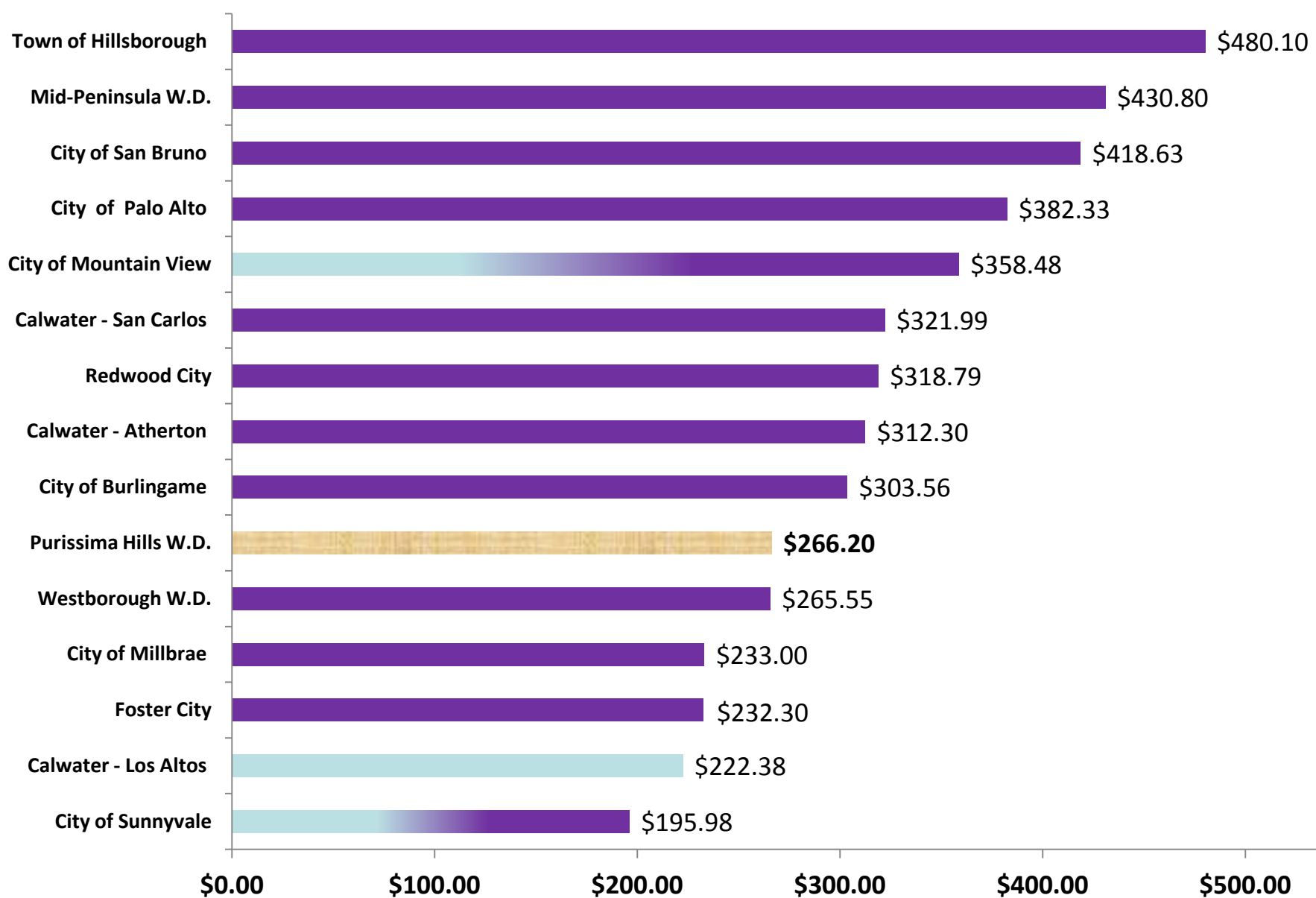


Last Update: November 2017

Comparison of Water Bills using Other Agencies' Rates in the Area Residential Median Summer Usage – 40 CCF



Last Update: November 2016



Last Update: November 2017