PURISSIMA HILLS WATER DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 AND 2022

JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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PURISSIMA HILLS WATER DISTRICT

BOARD OF DIRECTORS

JUNE 30, 2023

Name	Office	Term Expires December
Essy Stone	President	2026
Anand Ranganathan	Vice President	2026
Lucille Glassman	Director	2024
Brian Holtz	Director	2024
Steve Jordan	Director	2024

ADMINISTRATION

Phil Witt
General Manager

PURISSIMA HILLS WATER DISTRICT

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Net Position of the Purissima Hills Water District (the District), as of and for the year ended June 30, 2023 and 2022, and the related Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Purissima Hills Water District, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Purissima Hills Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Purissima Hills Water District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Purissima Hills Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Purissima Hills Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Purissima Hills Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, such as the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024 on our consideration of Purissima Hills Water 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 solely 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 the effectiveness of 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 Purissima Hills Water District's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
April 29, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2023 and 2022. The two-year presentation is provided for comparative purposes. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased by 2%, or $633,744, to $34,011,841 in fiscal year 2023 as a result of current year operations. In 2022, the District's net position increased by 5% or $1,737,475 to $33,378,097 as a result of previous year operations.
- The District's operating revenues decreased by 2%, or $152,889, in 2023 primarily due a $453,803 decrease in water consumption sales. In 2022, the District's operating revenues decreased by 19%, or $1,672,789, primarily due to a $1,253,800 decrease in water consumption sales. These changes are mostly attributed to wet weather.
- In fiscal year 2023, the District's operating expenses increased by 7%, or $647,341, primarily due to an increase in transmission and distribution expenses of $522,033. In fiscal year 2022, the District's operating expenses decreased by 11%, or $935,661, primarily due to a decrease in water purchases of $531,736 and a decrease in transmission and distribution expenses of $368,272.
- In fiscal year 2023, the District's net position liability increased from $155,175 to $906,164, an increase of $750,989. This was mostly because investment earnings in the CalPERS pension plan significantly exceeded estimates in the prior measurement period and were significantly below estimates in the current measurement period. In addition, the discount rate used in the plan was decreased from 7.15% to 6.9%.
- During the fiscal year ended June 30, 2023, residential water consumption was 572,579 Centrum Cubic Feet (CCF). For fiscal year June 30, 2022, residential water consumption was 692,280 CCF. The decrease of 119,701 CCF in residential water usage was directly caused by wet weather and led to a decrease in water sales of $453,803.

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), and 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.

Financial Analysis of the District, continued

These statements include all assets and liabilities 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 it. You can think of the District's net position – the difference between assets and deferred outflows less liabilities and deferred inflows – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is 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 start on page 13.

Statements of Net Position

	June 30, 2023	June 30, 2022	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2021
Current and Other Assets	$ 8,523,629	$ 9,924,304	$ (1,400,675)	-14.11%	$ 9,255,623
Right of Use Assets	522,894	547,794	(24,900)	-4.55%	-
Capital Assets, Net	34,540,917	32,626,713	1,914,204	5.87%	31,163,968
Total Assets	43,587,440	43,098,811	488,629	1.13%	40,419,591
Deferred Outflows of Resources	642,139	242,406	399,733	164.90%	250,167
Current and Other Liabilities	1,438,978	1,187,389	251,589	21.19%	1,246,240
Long-Term Liabilities	7,750,147	7,525,070	225,077	2.99%	7,702,973
Total Liabilities	9,189,125	8,712,459	476,666	5.47%	8,949,213
Deferred Inflows of Resources	1,028,613	1,250,661	(222,048)	-17.75%	79,923
Net Investment in Capital Assets	27,733,677	26,178,279	1,555,398	5.94%	27,029,476
Unrestricted	6,278,164	7,199,818	(921,654)	-12.80%	4,611,146
Total Net Position	$ 34,011,841	$ 33,378,097	$ 633,744	1.90%	$ 31,640,622

As noted earlier, net position may serve over time as a useful indicator of a government's financial health. In the case of the District, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $34,011,841 and $33,378,097 as of June 30, 2023 and 2022, respectively.

By far the largest portion of the District's net position (82% as of June 30, 2023 and 78% as of June 30, 2022) reflects the District's investment in capital assets (net of accumulated depreciation and amortization), which includes right of use assets, less any related outstanding debt used to acquire those assets. 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 2023 and 2022, the District's unrestricted net position that may be utilized in future years was $6,278,164 and $7,199,818, respectively. During fiscal year 2023, the beginning net investment in capital assets was increased by $1,555,398 as a result of additions to infrastructure, net of depreciation.

Statements of Revenues, Expenses and Changes in Net Position

	June 30, 2023	June 30, 2022	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2021
Operating Revenue	$ 6,897,013	$ 7,049,902	$ (152,889)	-2.17%	$ 8,722,691
Non-Operating Revenue	1,863,294	1,708,989	154,305	9.03%	1,533,183
Total Revenues	8,760,307	8,758,891	1,416	0.02%	10,255,874
Operating Expenses	7,961,384	7,314,043	647,341	8.85%	8,249,704
Non-Operating Expenses	165,179	303,278	(138,099)	-45.54%	167,060
Total Expenses	8,126,563	7,617,321	509,242	6.69%	8,416,764
Change in Net Position	633,744	1,141,570	(507,826)	-44.48%	1,839,110
Change in Accounting Principle	-	595,905	(595,905)	0.00%	-
Net Position, Beginning	33,378,097	31,640,622	1,737,475	5.49%	29,801,512
Net Position, Ending	$ 34,011,841	$ 33,378,097	$ 633,744	1.90%	$ 31,640,622

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. Net position increased by $633,744 and $1,737,475 for the fiscal years ended June 30, 2023 and 2022, respectively.

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

- In 2023, the District's operating revenues decreased 2%, or $152,889, primarily from a $453,803 decrease in water consumption sales; a result of extremely wet weather.
- In 2022, the District's operating revenues decreased 19%, or $1,672,789 primarily from a $1,253,800 decrease in water consumption sales and a $363,602 decrease in service charges. These decreases were a direct result of COVID-19 and extremely wet weather.
- In 2023, the District's operating expenses increased by $647,341 primarily due to an increase in transmission and distribution expenses of $522,033. Transmission and distribution expenses increased substantially because of planned repairs and maintenance.
- In 2022, the District's operating expenses decreased by $935,661 primarily due to a decrease in water purchases of $531,736 and a decrease in transmission and distribution expenses of $368,272. Consumption and transmission decreased substantially because of COVID-19, since less people were working from home as the pandemic ended, and wet weather.

Capital Asset Administration

At the end of fiscal year 2023 and 2022, the District's investment in capital assets amounted to $34,540,917 and $32,626,713 (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. The District also reported a net right of use asset as required by GASB 87 of $522,894 and $547,794 as of June 30, 2023 and 2022, respectively, which is reported separately and not included in the following table.

	June 30, 2023	June 30, 2022	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2021
Land	$ 180,099	$ 180,099	$ -	0.00%	$ 180,099
Construction in Progress	2,967,405	3,293,461	(326,056)	-9.90%	5,946,083
Supply Plant	244,914	235,560	9,354	3.97%	264,336
Pumping Plant	3,058,158	3,092,484	(34,326)	-1.11%	2,673,168
Transmission and Distribution Mains	45,140,868	42,017,071	3,123,797	7.43%	37,504,915
General Plant and Equipment	2,539,715	2,406,196	133,519	5.55%	2,527,919
Capital Asset at Cost	54,131,159	51,224,871	2,906,288	5.67%	49,096,520
Less Accumulated Depreciation	(19,590,242)	(18,598,158)	992,084	0.00%	(17,932,552)
Capital Assets, Net	$ 34,540,917	$ 32,626,713	$ 1,914,204	5.87%	$ 31,163,968

Long-Term Debt

During fiscal year 2022, the District issued $8,103,000 in 2022 Installment Bonds. As of June 30, 2023 and 2022, the outstanding principal balance was $6,469,000, and $6,960,000, respectively. The bond proceeds were used to improve and build infrastructure needed to service citizens and manage capacity increases. As of June 30, 2023 and 2022, the District also reported a lease liability of $861,132 and 878,084, respectively, related to GASB 87 for the leased use of facilities.

Factors Bearing on the District's Future

The COVID-19 pandemic appeared to have lapsed into an endemic, easing the effects on global markets, businesses, and communities. Purissima still suffers with supply chain issues in the area of, pipe, fittings and distribution system appurtenances. Extremely wet weather has significantly impacted various parts of the District's 2023 operations and financial results, including, but not limited to, loss of revenues due to decreased water sales. Management believes the District is taking appropriate actions in relation to revenue declines and continues to budget appropriately based on local and global economic factors and concerns. Additionally, the district in June 30, 2023 was in its 2nd year of a 5 year rate adjustment.

Although California had record breaking rains in fiscal year 2023, the District continues to closely monitor the potential impact of water shortages and droughts in California and is working diligently to reduce water consumption in an effort to conserve water for future droughts

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.

BASIC FINANCIAL STATEMENTS

PURISSIMA HILLS WATER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 5,328,373	$ 6,597,122
Accrued interest receivable	30,338	8,469
Accounts receivable - water sales and services, net	1,016,651	995,642
Accounts receivable - leases - due within one year	209,367	195,811
Accounts receivable - other	50,354	36,314
Inventory - water in storage	27,216	26,720
Inventory - materials and supplies	322,267	346,312
Prepaid expenses and deposits	52,736	22,220
Total Current Assets	7,037,302	8,228,610
Non-current Assets		
Capital assets, net (Note 3)	34,540,917	32,626,713
Accounts receivable - leases	1,486,327	1,695,694
Right of Use Asset	522,894	547,794
TOTAL ASSETS	43,587,440	43,098,811
Deferred Outflows of Resources:		
Pension related (Note 5)	642,139	242,406
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	790,807	563,529
Accrued salaries and wages	6,513	6,949
Unearned revenues	84,115	70,821
Customer deposits	38,138	38,138
Current portion of lease liability	18,405	16,952
Current portion of Installment Bonds	501,000	491,000
Total Current Liabilities	1,438,978	1,187,389
Long-Term Liabilities		
Lease liability	842,727	861,132
Installment Bonds	5,968,000	6,469,000
Compensated absences	33,256	39,763
Net pension liability (Note 5)	906,164	155,175
TOTAL LIABILITIES	9,189,125	8,712,459
Deferred Inflows of Resources:		
Lease related	910,363	1,033,942
Pension related (Note 5)	118,250	216,719
NET POSITION		
Net invested in capital assets	27,733,677	26,178,279
Unrestricted	6,278,164	7,199,818
TOTAL NET POSITION	$ 34,011,841	$ 33,378,097

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

PURISSIMA HILLS WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water consumption sales	$ 5,660,279	$ 6,114,082
Service charges	1,161,299	855,371
Other charges	75,435	80,449
Total Operating Revenues	6,897,013	7,049,902
OPERATING EXPENSES		
Source of supply	3,572,094	3,662,004
Pumping	370,353	378,692
Transmission and distribution	1,665,717	1,143,684
Water treatment	23,091	15,863
Customer accounts	157,807	158,823
General and administrative	1,155,339	1,024,150
Depreciation	1,016,983	930,827
Total Operating Expenses	7,961,384	7,314,043
Operating income (loss)	(1,064,371)	(264,141)
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	1,534,754	1,551,799
Rental income - cellular antennas	169,201	139,237
Investment income	159,339	17,953
Interest expense	(165,179)	(175,981)
Gain (loss) on disposal of assets	-	(127,297)
Total Non-Operating Revenues (Expenses)	1,698,115	1,405,711
CHANGE IN NET POSITION	633,744	1,141,570
NET POSITION, BEGINNING OF YEAR - as originally reported	33,378,097	32,236,527
Change in accounting principle	-	595,905
NET POSITION, BEGINNING OF YEAR - as restated	33,378,097	32,236,527
NET POSITION, END OF YEAR	$ 34,011,841	$ 33,378,097

PURISSIMA HILLS WATER DISTRICT

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2023AND 2022

	2023	2022
Cash Flows From Operating Activities		
Receipts from customers for water sales and services	$ 6,879,065	$ 7,255,619
Payments for employee wages and benefits	(1,623,153)	(1,758,730)
Payments to suppliers for water and power	(3,942,943)	(4,040,250)
Payments to suppliers for materials and services	(1,039,536)	(1,257,429)
Net Cash Flows Provided (Used) by Operating Activities	273,433	199,210
Cash Flows From Non-Capital Financing Activities		
Property taxes received	1,534,754	1,551,799
Net Cash Flows Provided (Used) by Non-Capital Financing Activities	1,534,754	1,551,799
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,933,393)	(2,502,497)
Principal payments on long-term debt	(491,000)	(480,000)
Interest payments on long-term debt	(146,380)	(156,832)
Cash received on lease receivables	338,051	275,095
Cash received on interest on lease receivables	54,067	53,543
Cash payments on building lease	(16,952)	(15,561)
Cash payments for interest on building lease	(18,799)	(19,149)
Net Cash Flows Provided (Used) by Capital & Related Activities	(3,214,406)	(2,845,401)
Cash Flows From Investing Activities		
Interest Income	137,470	14,413
Net Cash Flows Provided (Used) by Investing Activities	137,470	14,413
Net Increase (Decrease) in Cash	(1,268,749)	(1,079,979)
Beginning Cash and Equivalents	6,597,122	7,677,101
Ending Cash, Cash Equivalents and Restricted Cash	$ 5,328,373	$ 6,597,122

PURISSIMA HILLS WATER DISTRICT

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2023AND 2022

	2023	2022
Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities		
Cash Flows from Operating Activities:		
Operating Income (Loss)	$ (1,064,371)	$ (264,141)
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided (used) by Operations:		
Depreciation/Amortization	1,016,983	930,827
(Increase) Decrease in:		
Accounts receivable	(35,049)	182,193
Inventory	23,549	(70,831)
Prepaid expenses and deposits	(30,516)	35,023
Deferred outflows	(399,733)	7,761
Increase (Decrease) in:		
Accounts payable and accrued expenses	227,278	(109,124)
Accrued salaries and wages	(436)	2,604
Unearned revenues and customer deposits	13,294	19,717
Compensated absences	(6,507)	(10,532)
Net pension liability	750,989	(537,503)
Deferred inflows	(222,048)	13,216
Net Cash Provided (used) by Operating Activities	$ 273,433	$ 199,210

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. BASIS OF ACCOUNTING

The District is accounted for as an enterprise fund and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District include water service charges. Operating expenses of the District include employee costs, water purchases, maintenance, utilities, and other administrative costs. All revenues and expenses not meeting this definition are reported as non-operating revenue and expense.

C. CASH AND CASH EQUIVALENTS

The District considers cash on hand, cash in banks and the Local Agency Investment Fund to be cash and cash equivalents.

D. ACCOUNTS RECEIVABLE

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.

E. 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.

F. UNEARNED REVENUE

Unearned revenue represents money collected in advance for customer water consumption sales.

G. 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.

H. RESTRICTED NET POSITION

Restricted net position represents storage facility charges collected and legally restricted for construction of transportation and storage facilities.

I. CAPITAL ASSETS

Capital assets are recorded at cost, or if contributed, at estimated value at time of acquisition. Depreciation is recognized on buildings, furniture, fixtures, equipment and subsurface lines by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

Transmission and distribution mains	15 - 50 years
Buildings	15 - 50 years
Transportation and other equipment	5 - 10 years
Computer and office equipment	3 years

District policy is to capitalize all assets, which cost $5,000 or more, and to charge to current operations all additions under that cost limit. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are also expensed in the current period.

J. LEASE LIABILITY

A lease is defined as a contract that coveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term liability and corresponding asset for financial leases are recorded in the financial statements. Amortization of related assets using the straight-line method over the life of the contract.

K. LEASE RECEIVABLE

A lease is defined as a contract that coveys control of the right to use the District's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term asset and corresponding deferred inflows of resources for financial leases are recorded in the financial statements. Amortization of related deferred inflows using the effective rate over the life of the contract.

L. REVENUES/CAPACITY CHARGES

Customer water meters are read on a monthly basis. Bills are rendered and income is recognized in the period in which meters are read. The District does not accrue income for water distributed but not yet billed at the end of the year.

California state law requires water districts to report capacity charges collected and spent separately from operating revenue and expense and any fees unspent at year-end are shown in a separate equity fund. No capacity charges were collected by the District for the June 30, 2023 and 2022 fiscal year.

M. PROPERTY TAXES

The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are recorded on an accrual basis of accounting. The County Assessor is responsible for assessment of all taxable real property within Santa Clara County. Reassessment is on a three-year schedule established by the Assessor. The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to each unit its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year generally on March 1st and November 1st. The first installment is an estimated bill, and is approximately one-half of the prior year's tax bill. The second installment is based on the current levy, assessment, equalization, and certificate to limit levy, if any and any changes from the prior year will be reflected in the second installment bill. The levy becomes an enforceable lien against the property as of March 1st following the levy year.

N. INCOME TAXES

The District is a governmental entity and as such its income is exempt from taxation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

O. 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 Purissima Hills Water District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions 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.

P. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

Q. USE OF ESTIMATES

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

2. CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Cash on hand	$ 2,531	$ 2,332
Cash in bank	1,627,867	2,129,404
Local Agency Investment Fund	3,697,975	4,465,386
Total Cash and Cash Equivalents	$ 5,328,373	$ 6,597,122

The carrying amount of the District's cash is covered by federal depository insurance up to $250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit.

Local Agency Investment Fund

The District is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of the District's investment in this pool, which approximates cost, is reported in the accompanying financial statements 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. Funds are accessible and transferable to the master account with twenty-four hour notice. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization. LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The monies held in the LAIF investment pool are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

2. CASH AND INVESTMENTS (Continued)

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 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.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions and transfers	Deletions and tranfers	Balance June 30, 2023
Capital assets not subject to depreciation				
Land	$ 180,099	$ -	$ -	$ 180,099
Construction in progress	3,293,461	2,858,440	(3,184,496)	2,967,405
Total capital assets not subject to depreciation	3,473,560	2,858,440	(3,184,496)	3,147,504
Capital assets being depreciated				
Supply plant	235,560	9,354	-	244,914
Pumping plant	3,092,484	-	(34,326)	3,058,158
Transmission and distribution mains	42,017,071	3,123,797	-	45,140,868
General plant and equipment	2,406,196	133,519	-	2,539,715
Total capital assets being depreciated	47,751,311	3,266,670	(34,326)	50,983,655
Less accumulated depreciation for:				
Supply plant	(235,560)	-	-	(235,560)
Pumping plant	(1,771,393)	(127,087)	-	(1,898,480)
Transmission and distribution mains	(15,067,339)	(764,604)	-	(15,831,943)
General plant and equipment	(1,523,866)	(100,393)	-	(1,624,259)
Total accumulated depreciation	(18,598,158)	(992,084)	-	(19,590,242)
Total capital assets, net of depreciation	$ 32,626,713	$ 5,133,026	$ (3,218,822)	$ 34,540,917

Description	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Amortizable Right of Use Assets:				
Buildings	$ 995,989	$ -	$ -	$ 995,989
Accumulated Amortization	(448,195)	(24,900)	-	(473,095)
Total Right of Use Assets - Net	$ 547,794	$ (24,900)	$ -	$ 522,894

3. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions and transfers	Deletions and tranfers	Balance July 1, 2022
Capital assets not subject to depreciation				
Land	$ 180,099	$ -	$ -	$ 180,099
Construction in progress	5,946,083	2,501,540	(5,154,162)	3,293,461
Total capital assets not subject to depreciation	6,126,182	2,501,540	(5,154,162)	3,473,560
Capital assets being depreciated				
Supply plant	264,336	-	(28,776)	235,560
Pumping plant	2,673,168	-	419,316	3,092,484
Transmission and distribution mains	37,504,915	-	4,512,156	42,017,071
General plant and equipment	2,527,919	955	(122,678)	2,406,196
Total capital assets being depreciated	42,970,338	955	4,780,018	47,751,311
Less accumulated depreciation for:				
Supply plant	(264,336)	-	28,776	(235,560)
Pumping plant	(1,669,095)	(113,850)	11,552	(1,771,393)
Transmission and distribution mains	(14,465,216)	(691,684)	89,561	(15,067,339)
General plant and equipment	(1,533,905)	(100,393)	110,432	(1,523,866)
Total accumulated depreciation	(17,932,552)	(905,927)	240,321	(18,598,158)
Total capital assets, net of depreciation	$ 31,163,968	$ 1,596,568	$ (614,465)	$ 32,626,713

Description	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Amortizable Right of Use Assets:				
Buildings	$ -	$ 995,989	$ -	$ 995,989
Accumulated Amortization	-	(448,195)	-	(448,195)
Total Right of Use Assets - Net	$ -	$ 547,794	$ -	$ 547,794

Depreciation and amortization for the year's ended June 30, 2023 and 2022 was $1,016,983 and $930,827, respectively.

4. LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities during the year ended June 30, 2023:

Long-term Liabilities	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
2020 Installment Bonds	$ 6,960,000	$ -	$ 491,000	$ 6,469,000	$ 501,000
Lease Liability	878,085	-	16,953	861,132	18,405
Net Pension Liability	155,175	1,048,131	297,142	906,164	-
Compensated Absences	39,763	84,441	90,948	33,256	-
Total Long-term Liabilities	$ 8,033,023	$ 1,132,572	$ 896,043	$ 8,269,552	$ 519,405

The following is a summary of changes in the District's long-term liabilities during the year ended June 30, 2022:

Long-term Liabilities	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
2020 Installment Bonds	$ 7,440,000	$ -	$ 480,000	$ 6,960,000	$ 491,000
Lease Liability	-	878,085	-	878,085	16,952
Net Pension Liability	692,678	532,639	1,070,142	155,175	-
Compensated Absences	50,295	77,112	87,644	39,763	-
Total Long-term Liabilities	$ 8,182,973	$ 1,487,836	$ 1,637,786	$ 8,033,023	$ 507,952

4. LONG-TERM LIABILITIES (Continued)

2020 Installment Bonds

The District issued debt in the form of an installment sale agreement to issue $8,103,000 of bonds in agreement with Zions Bank effective January 1, 2020 and ending December 30, 2034. Principal and interest payments vary and are due quarterly beginning March 30, 2020 with an interest rate of 2.16%. As of June 30, 2023, the outstanding principal balance was $6,469,000 and $6,960,000 as of June 30, 2022. Future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 501,000	$ 135,691	$ 636,691
2025	512,000	124,778	636,778
2026	523,000	113,632	636,632
2027	535,000	102,238	637,238
2028	546,000	90,601	636,601
2029 - 2033	2,914,000	269,336	3,183,336
2034 - 2038	938,000	17,809	955,809
Total Debt Service	$ 6,469,000	$ 854,086	$ 7,323,086

5. EMPLOYEE RETIREMENT PLAN

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Purissima Hills Water District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Purissima Hills Water District 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.

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 the plan are applied as specified by the Public Employees' Retirement Law.

A. Plan Description (Continued)

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years 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	7.000%	7.250%
Required employer contribution rates	9.300%	7.760%

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 the July 1 following notice of a change in the rate. Funding contributions for the Plans are 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. Purissima Hills Water District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2023 and 2022, the contributions recognized as part of pension expense for the Plan were $154,827 and $131,038, respectively.

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

As of June 30, 2023 and 2022, the Purissima Hills Water District reported net pension liabilities for its proportionate share of the net pension liability of $906,164 and $155,175, respectively.

Purissima Hills Water 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, 2022, 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, 2021 rolled forward to June 30, 2022 using standard update procedures. Purissima Hills Water 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 net pension liability for the Plan as of the June 30, 2021 and June 30, 2022 measurement dates was as follows:

Proportion - June 30, 2022	0.00817%
Proportion - June 30, 2023	0.01937%
Change - Increase (Decrease)	0.01120%

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2023 and 2022, the District recognized a pension expense of $407,614 and a pension credit of $261,909, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 154,827	$ -
Difference between expected and actual experience	18,198	12,188
Difference between employer's contributions and proportionate share of contributions	-	106,062
Change in employer's proportion	210,274	-
Changes in assumptions	92,855	-
Differences between projected and actual investment earnings	165,985	-
Total	$ 642,139	$ 118,250

$154,827 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Total Deferred Outflow/(Inflow) of Resources
2024	$ 110,016
2025	99,305
2026	58,219
2027	101,522
2028	-
Thereafter	-
	$ 369,062

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 131,038	$ -
Difference between expected and actual experience	17,401	-
Difference between employer's contributions and proportionate share of contributions	-	81,260
Change in employer's proportion	93,967	-
Changes in assumptions	-	-
Differences between projected and actual investment earnings	-	135,459
Total	$ 242,406	$ 216,719

$131,038 reported as deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the current year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Total Deferred Outflow/(Inflow) of Resources
2023	$ (21,459)
2024	(20,343)
2025	(26,114)
2026	(37,434)
2027	-
Thereafter	-
	$ (105,350)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.36%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

(1) Varies by entry age and service

(2) Net of pension plan investment expenses, including inflation

(3) Derived using CalPERS' membership data for all funds

All other actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for the plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 6.90 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 6.80% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed 10 basis points. An investment return excluding administrative expenses would have been 6.90%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short term (first 11 years) and the long-term (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 the Plan. 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. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (1,2)
Global Equity - cap-weighted	30.0%	4.45%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

(1) An expected inflation of 2.30% used for this period

(2) Figures are based on the 2021-22 Asset Liability Management Study

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

June 30, 2023

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability	$ 1,614,943	$ 906,164	$ 323,014

June 30, 2022

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 769,350	$ 155,175	$ (352,555)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

The District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

6. JOINTLY GOVERNED ORGANIZATIONS

The District is a member of two jointly governed organizations. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) which provides workers compensation, liability, and property insurance. The District is also a member of Bay Area Water Supply & Conservation Agency (BAWSCA) who represent member negotiations with the San Francisco Public Utilities Commission (SFPUC).

ACWA JPIA and BAWSCA are governed by a Board consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution or assessment commensurate with the level of coverage and services requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from ACWA JPIA and BAWSCA. The latest condensed information for ACWA JPIA and BAWSCA for the years ended September 30th and June 30th, respectively, are as follows:

6. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

	ACWA JPIA September 30, 2022	BAWSCA June 30, 2023
Total Assets	$ 246,615,214	$ 267,229,682
Total Deferred Outflows	6,108,562	809,373
Total Liabilities	137,126,606	230,435,463
Total Deferred Inflows	2,813,249	12,065,530
Total Net Position	$ 112,783,921	$ 25,538,062
Total Revenues	$ 175,619,417	$ 32,714,516
Total Expenses	212,646,028	28,352,639
Change in Net Position	$ (37,026,611)	$ 4,361,877

7. LEASE RECEIVABLE

The District contracted with five (5) different companies to lease land for communication towers on District-owned properties. The agreements are for multiple years and require monthly payments based on the contracted amounts.

The following summarizes the District’s lease receivables as of June 30, 2023:

7. LEASE RECEIVABLE (CONTINUED)

Description	AT&T Tower Lease Deer Creek	LaCresta Tower Lease T-Mobile	LaCresta Tower Lease Sprint	LaCresta Tower Lease Verizon	McCann Tower Lease AT&T	Total
Lease inception	7/1/2006	11/1/1996	4/1/1997	10/1/1989	7/1/2003	
Lease end	6/30/2026	10/31/2026	3/31/2027	9/30/2029	6/30/2033	
Annual Payment	$ 44,541	$ 40,137	$ 33,851	$ 40,611	$ 33,166	
Rate	3%	3%	3%	3%	3%	
Leases Receivable						
Beg. Balance	$ 661,412	$ 181,120	$ 193,403	$ 445,680	$ 409,891	$ 1,891,505
Additions/Adjustments	-	-	-	-	-	-
Deletions	-	-	-	-	-	-
Principal Payments	(28,691)	(41,176)	(43,970)	(52,129)	(29,845)	(195,811)
Ending Balance	$ 632,721	$ 139,944	$ 149,433	$ 393,551	$ 380,045	$ 1,695,694
Deferred Inflows of Resources						
Beg. Balance	$ 410,844	$ 105,778	$ 111,515	$ 165,439	$ 240,367	$ 1,033,942
Additions/Adjustments	-	-	-	-	-	-
Deletions	-	-	-	-	-	-
Amortization	(29,346)	(26,445)	(22,303)	(23,634)	(21,852)	(123,579)
Ending Balance	$ 381,498	$ 79,334	$ 89,212	$ 141,805	$ 218,516	$ 910,363
Ending NBV	$ 251,223	$ 60,610	$ 60,222	$ 251,746	$ 161,530	$ 785,331

The following summarizes the District's lease receipts as of June 30, 2023:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	$ 209,367	$ 48,007	$ 257,374
2025	223,562	41,533	265,095
2026	238,427	34,622	273,049
2027	145,330	28,743	174,073
2028	155,045	24,250	179,295
2029-2033	527,339	63,685	591,024
2034-2038	196,624	9,348	205,972
Total	$ 1,695,694	$ 250,188	$ 1,945,882

8. LEASE LIABILITY

The District entered into a forty (40) year lease in 2005 for the use of the District's Operations Center. The lease has an interest rate of 2.16% and will end in 2045. The right-of-use assets obtained in exchange for these leases was $522,894 and $547,794 as of June 30, 2023 and 2022, respectively.

The following summarizes the District's lease payments as of June 30, 2023:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	$ 18,405	$ 18,419	$ 36,824
2025	19,922	18,006	37,928
2026	21,506	17,561	39,067
2027	23,158	17,080	40,238
2028	24,883	16,562	41,445
2029-2033	152,973	73,667	226,640
2034-2038	208,438	54,300	262,738
2039-2043	276,280	28,306	304,586
2044-2045	115,568	2,318	117,886
Total	$ 861,133	$ 246,219	$ 1,107,352

9. DEFERRED COMPENSATION

The District has established a deferred compensation plan in accordance with Internal Revenue Code Section 457, whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. Plan assets are invested in each individual's name with a deferred compensation plan provider. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. All employees are eligible for plan participation.

The District believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The District has formally established a trust in accordance with Internal Revenue Code Section 457(g) to provide protection from the claims of the employer's general creditors. Accordingly deferred compensation assets placed in the trust are not reflected in these financial statements.

10. COMMITMENTS

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.

11. SUBSEQUENT EVENTS

District management has evaluated its June 30, 2023 financial statements for subsequent events through April 29, 2024, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PURISSIMA HILLS WATER DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JUNE 30, 2023

	Fiscal Year [1]								
	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Proportion of the net pension liability	0.01267%	0.00859%	0.01277%	0.01397%	0.01373%	0.01498%	0.01642%	0.00817%	0.01937%
Proportionate share of the net pension liability	$ 313,189	$ 235,576	$ 443,593	$ 550,597	$ 517,625	$ 599,677	$ 692,678	$ 155,175	$ 906,164
Covered payroll (2)	$ 547,310	$ 547,310	$ 573,789	$ 599,250	$ 616,856	$ 624,319	$ 657,279	$ 764,271	$ 811,366
Proportionate share of the net pension liability as percentage of covered payroll	57.22%	43.04%	77.31%	91.88%	83.91%	96.05%	105.39%	20.30%	111.68%
Plans fiduciary net position as a percentage of the total pension liability	81.15%	92.10%	86.22%	84.96%	86.30%	85.35%	83.09%	96.66%	82.57%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Covered payroll represented above is based on pensionable earnings provided by the employer.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

PURISSIMA HILLS WATER DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2023

	Fiscal Year [1]								
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Actuarially Determined Contribution (2)	$ 44,117	$ 66,959	$ 71,019	$ 73,219	$ 87,794	$ 101,498	$ 114,764	$ 131,038	$ 154,827
Contributions in relation to the actuarially determined contributions	(44,117)	(66,959)	(71,019)	(73,219)	(87,794)	(101,498)	(114,764)	(131,038)	(154,827)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll (3,4)	$ 547,310	$ 573,789	$ 599,250	$ 616,856	$ 624,319	657,279	764,271	811,366	815,399
Contributions as a percentage of covered payroll (3)	8.06%	11.67%	11.85%	11.87%	14.06%	15.44%	15.02%	16.15%	18.99%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(3) Covered payroll represented above is based on pensionable earnings provided by the employer.

(4) Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption.

OTHER INDEPENDENT AUDITOR'S REPORT

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Independent Auditor's Report

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

We have audited, 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, the financial statements of Purissima Hills Water District (the "District"), as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financials 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
April 29, 2024