



Purissima Hills Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2024 and 2023



Mission Statement

The mission of Purissima Hills Water District is to provide a safe and reliable water supply to its customers in Los Altos Hills, while also promoting water conservation and responsible resource management.

Board of Directors as of June 30, 2024

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Lucille Glassman	President	Elected	12/2022 - 12/2024
Brian Holtz	Vice President	Elected	12/2020 - 12/2024
Steve Jordan	Director	Elected	12/2020 - 12/2024
Essy Stone	Director	Elected	12/2022 - 12/2026
Anand Ranganathan	Director	Elected	12/2022 - 12/2026

**Purissima Hills Water District
Tammy Rudock, Interim General Manager
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Los Altos Hills, California 94022
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Purissima Hills Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2024 and 2023

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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Purissima Hills Water District (District), which comprises the statement of net position as of June 30, 2024, and the related statement of revenues, expenses, and changes in net position for the fiscal year then ended, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Purissima Hills Water District as of June 30, 2024, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The prior year information included in this report was audited by other auditors, which issued an unmodified opinion. The prior year's information is included in this report for comparative purposes only. We do not express an opinion or provide any assurance on the prior year's information included in this report.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit 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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the 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.

Independent Auditor's Report, continued

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 opinion. 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 the 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 the 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.

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 4 through 11 and the required supplementary information on pages 46 and 47 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.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended June 30, 2023, derived from those prior auditor's financial statements, has not been audited, reviewed, or compiled, and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2025, 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 48 and 49.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

August 4, 2025

Purissima Hills Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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, 2024 (with summarized comparative information for the year ended June 30, 2023). 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

- In the fiscal year 2024, the District's net position increased 5.19% or \$1,766,894 to \$35,778,735 as a result of \$1,646,734 in net income from ongoing operations and \$120,160 in local agency contributions. In the fiscal year 2023, the District's net position increased 1.90% or \$633,744 to \$34,011,841 as a result of income from ongoing operations.
- In the fiscal year 2024, the District's operating revenues increased 18.08% or \$1,246,414 to \$8,139,326. In the fiscal year 2023, the District's operating revenues decreased 1.74% or \$121,734 to \$6,892,912.
- In the fiscal year 2024, the District's non-operating revenues increased 18.30% or \$341,780 to \$2,209,176. In the fiscal year 2023, the District's non-operating revenues increased 7.06% or \$123,151 to \$1,867,396. Please see the Total Revenues table on page 7.
- In the fiscal year 2024, the District's operating expenses (including depreciation) increased 7.36% or \$586,271 to \$8,547,658. In the fiscal year 2023, the District's operating expenses (including depreciation) increased 8.85% or \$647,344 to \$7,961,387.
- In the fiscal year 2024, the District's non-operating expenses decreased 6.70% or \$11,067 to \$154,110. In the fiscal year 2023, the District's non-operating expenses decreased 45.54% or \$138,101 to \$165,177. Please see the Total Expenses table on page 8.
- In the fiscal year 2024, the District's capital contributions increased 100.00% or \$120,160. In the fiscal year 2023, the District did not have any reportable capital contributions.

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 include 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 Statements of Revenues, Expenses, and Changes in Net Position. These statements measure 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.

Purissima Hills Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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. One 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 17 through 45.

Statements of Net Position

Condensed Statements of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Assets:					
Current assets	\$ 8,543,481	7,037,302	1,506,179	8,228,610	(1,191,308)
Non-current assets	1,262,764	1,486,327	(223,563)	1,695,694	(209,367)
Capital assets, net	34,985,412	35,063,811	(78,399)	33,174,507	1,889,304
Total assets	<u>44,791,657</u>	<u>43,587,440</u>	<u>1,204,217</u>	<u>43,098,811</u>	<u>488,629</u>
Deferred outflows of resources	<u>581,709</u>	<u>642,139</u>	<u>(60,430)</u>	<u>388,783</u>	<u>253,356</u>
Liabilities:					
Current liabilities	1,460,610	1,472,234	(11,624)	1,227,152	245,082
Non-current liabilities	7,304,823	7,716,891	(412,068)	7,485,307	231,584
Total liabilities	<u>8,765,433</u>	<u>9,189,125</u>	<u>(423,692)</u>	<u>8,712,459</u>	<u>476,666</u>
Deferred inflows of resources	<u>829,198</u>	<u>1,028,613</u>	<u>(199,415)</u>	<u>1,250,661</u>	<u>(222,048)</u>
Net position:					
Net investment in capital assets	28,174,685	27,733,679	441,006	25,336,422	2,397,257
Unrestricted	7,604,050	6,278,162	1,325,888	8,041,675	(1,763,513)
Total net position	<u>\$ 35,778,735</u>	<u>34,011,841</u>	<u>1,766,894</u>	<u>33,378,097</u>	<u>633,744</u>

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 and deferred outflows exceeded liabilities and deferred inflows by \$35,778,735 and \$34,011,841 as of June 30, 2024 and 2023, respectively.

Purissima Hills Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Statements of Net Position, continued

By far, the largest portion of the District's net position (79% and 82% as of June 30, 2024 and 2023, 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 or liquidating liabilities.

At the end of fiscal year 2024 and 2023, the District showed a positive balance in its unrestricted net position of \$7,604,050 and \$6,278,162, respectively, which may be utilized in future years. See Note 9 for further information.

Statements of Revenues, Expenses, and Changes in Net Position

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

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Operations:					
Operating revenues	\$ 8,139,326	6,892,912	1,246,414	7,014,646	(121,734)
Operating expenses	<u>7,428,184</u>	<u>6,944,404</u>	<u>483,780</u>	<u>6,383,216</u>	<u>561,188</u>
Operating income (loss) before depreciation	711,142	(51,492)	762,634	631,430	(682,922)
Depreciation	<u>(1,119,474)</u>	<u>(1,016,983)</u>	<u>(102,491)</u>	<u>(930,827)</u>	<u>(86,156)</u>
Operating (loss) income	<u>(408,332)</u>	<u>(1,068,475)</u>	<u>660,143</u>	<u>(299,397)</u>	<u>(769,078)</u>
Non-operating revenue (expenses):					
Property tax revenue	1,619,518	1,534,754	84,764	1,551,800	(17,046)
Rental income – cellular site leases	166,729	169,201	(2,472)	139,237	29,964
Rental income – interest income	48,008	54,067	(6,059)	59,730	(5,663)
Investment earnings, net of fair value	256,123	105,272	150,851	(41,777)	147,049
Interest expense – long-term debt	(154,110)	(165,177)	11,067	(175,981)	10,804
Gain (Loss) on asset disposal	14,645	-	14,645	(127,297)	127,297
Insurance recovery proceeds	81,934	-	81,934	-	-
Other non-operating revenues	<u>22,219</u>	<u>4,102</u>	<u>18,117</u>	<u>35,255</u>	<u>(31,153)</u>
Total non-operating revenues, net	<u>2,055,066</u>	<u>1,702,219</u>	<u>352,847</u>	<u>1,440,967</u>	<u>261,252</u>
Net income before capital contributions	<u>1,646,734</u>	<u>633,744</u>	<u>1,012,990</u>	<u>1,141,570</u>	<u>(507,826)</u>
Capital contributions:					
Local agency – LAHFD	<u>120,160</u>	<u>-</u>	<u>120,160</u>	<u>-</u>	<u>-</u>
Total capital contributions	<u>120,160</u>	<u>-</u>	<u>120,160</u>	<u>-</u>	<u>-</u>
Change in net position	1,766,894	633,744	1,133,150	1,141,570	(507,826)
Net position, beginning of period, as restated	<u>34,011,841</u>	<u>33,378,097</u>	<u>633,744</u>	<u>32,236,527</u>	<u>1,141,570</u>
Net position, end of period	<u>\$ 35,778,735</u>	<u>34,011,841</u>	<u>1,766,894</u>	<u>33,378,097</u>	<u>633,744</u>

Purissima Hills Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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

The Statements of Revenues, Expenses, and Changes of Net Position show how the District's net position changed during the fiscal years. In the case of the District, net position increased 5.19% or \$1,766,894 to \$35,778,735 as a result of \$1,646,734 in net income from ongoing operations and \$120,160 in local agency contributions. In fiscal year 2023, net position increased 1.90% or \$633,744 to \$34,011,841 as a result of income from ongoing operations.

Total Revenues

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 6,820,233	5,660,279	1,159,954	6,114,081	(453,802)
Meter service charges	1,128,757	1,030,963	97,794	821,071	209,892
Storage and transmission facility charges	68,600	130,336	(61,736)	34,300	96,036
Other charges	121,736	71,334	50,402	45,194	26,140
Total operating revenues	<u>8,139,326</u>	<u>6,892,912</u>	<u>1,246,414</u>	<u>7,014,646</u>	<u>(121,734)</u>
Non-operating revenues:					
Property tax revenue	1,619,518	1,534,754	84,764	1,551,800	(17,046)
Rental income – cellular site leases	166,729	169,201	(2,472)	139,237	29,964
Rental income – interest income	48,008	54,067	(6,059)	59,730	(5,663)
Investment earnings, net of fair value	256,123	105,272	150,851	(41,777)	147,049
Gain on asset disposal	14,645	-	14,645	-	-
Insurance recovery proceeds	81,934	-	81,934	-	-
Other non-operating revenues	<u>22,219</u>	<u>4,102</u>	<u>18,117</u>	<u>35,255</u>	<u>(31,153)</u>
Total non-operating revenues	<u>2,209,176</u>	<u>1,867,396</u>	<u>341,780</u>	<u>1,744,245</u>	<u>123,151</u>
Capital contributions:					
Local agency – LAHFD	<u>120,160</u>	<u>-</u>	<u>120,160</u>	<u>-</u>	<u>-</u>
Total capital contributions	<u>120,160</u>	<u>-</u>	<u>120,160</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 10,468,662</u>	<u>8,760,308</u>	<u>1,708,354</u>	<u>8,758,891</u>	<u>1,417</u>

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

In fiscal year 2024, total revenues increased 19.50% or \$1,708,354 to \$10,468,662. Operating revenues increased 18.08% or \$1,246,414 to \$8,139,326, due to increases of \$1,159,954 in water consumption sales, \$97,794 in meter service charges, and \$50,402 in other charges, offset by a decrease of \$61,736 in storage and facility fees. In fiscal year 2023, total revenues increased 0.02% or \$1,417 to \$8,760,308. Operating revenues decreased 1.74% or \$121,734 to \$6,892,912, due primarily to a decrease of \$453,802 in water consumption sales, offset by increases of \$209,892 in meter service charges, \$96,036 in storage and transmission facility charges, and \$26,140 in other charges as compared to the prior year.

Non-operating revenues increased 18.30% or \$341,780 to \$2,209,176, primarily due to increases of \$150,851 in investment earnings, net of fair value, \$84,764 in property tax revenue, \$81,934 in insurance recovery proceeds sourcing from a burglary, which was recovered through the District's insurance carrier, and \$18,117 in other non-operating revenue. In fiscal year 2023, non-operating revenues increased 7.06 % or \$123,151 to \$1,867,396, primarily due to increases of \$147,049 in investment earnings, net of fair value and \$29,964 in rental income from cellular site leases, offset by decreases of \$31,153 in other non-operating revenue and \$17,046 in property tax revenue as compared to the prior year.

Purissima Hills Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Total Revenues, continued

In fiscal year 2024, the District's capital contributions increased 100.00% or \$120,160, due to an increase in local agency contributions from the Los Altos Hills Fire Department for the purpose of funding infrastructure improvements in the current year. In fiscal year 2023, the District did not have any reportable capital contributions.

Total Expenses

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Source of supply	\$ 3,836,841	3,563,347	273,494	3,648,384	(85,037)
Pumping	462,110	370,354	91,756	378,339	(7,985)
Transmission and distribution	1,716,160	1,665,718	50,442	1,143,684	522,034
Water treatment	27,560	23,091	4,469	16,216	6,875
Customer accounts	141,039	157,808	(16,769)	158,823	(1,015)
General and administrative	1,244,474	1,164,086	80,388	1,037,770	126,316
Depreciation and amortization	1,119,474	1,016,983	102,491	930,827	86,156
Total operating expenses including depreciation and amortization expense	<u>8,547,658</u>	<u>7,961,387</u>	<u>586,271</u>	<u>7,314,043</u>	<u>647,344</u>
Non-operating expenses:					
Interest expense – long-term debt	154,110	165,177	(11,067)	175,981	(10,804)
Loss on asset disposal	-	-	-	127,297	(127,297)
Total non-operating expenses	<u>154,110</u>	<u>165,177</u>	<u>(11,067)</u>	<u>303,278</u>	<u>(138,101)</u>
Total expenses	<u>\$ 8,701,768</u>	<u>8,126,564</u>	<u>575,204</u>	<u>7,617,321</u>	<u>509,243</u>

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

In fiscal year 2024, total expenses increased 7.08% or \$575,204 to \$8,701,768. Operating expenses (including depreciation) increased 7.36% or \$586,271 to \$8,547,658, primarily due to increases of \$273,494 in source of supply, \$102,491 in depreciation and amortization, \$91,756 in pumping, \$80,388 in general and administrative expenses, and \$50,442 in transmission and distribution expenses as compared to the prior year. In fiscal year 2023, total expenses increased 6.69% or \$509,243 to \$8,126,564. Operating expenses (including depreciation) increased 8.85% or \$647,344 to \$7,961,387, primarily due to increases of \$522,034 in transmission and distribution expenses, \$126,316 in general and administrative expenses, \$86,156 in depreciation and amortization, offset by a decrease of \$85,037 in source of supply as compared to the prior year.

Non-operating expenses decreased 6.70% or \$11,067 to \$154,110, due to a decrease in interest expense due to the maturation of the District's long-term debt. In fiscal year 2023, non-operating expenses decreased 45.54% or \$138,101 to \$165,177, due to decreases of \$127,297 in loss on asset disposal and \$10,804 in interest due to the maturation of the District's long-term debt as compared to the prior year.

Purissima Hills Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Capital Asset Administration

Changes in capital asset amounts for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Transfers / Deletions</u>	<u>Balance 2024</u>
Capital assets:				
Non-depreciable assets	\$ 3,147,504	898,436	(89,443)	3,956,497
Depreciable and amortizable assets	51,979,644	232,082	(40,814)	52,170,912
Accumulated depreciation and amortization	<u>(20,063,337)</u>	<u>(1,119,474)</u>	<u>40,814</u>	<u>(21,141,997)</u>
Total capital assets, net	\$ <u><u>35,063,811</u></u>	<u><u>11,044</u></u>	<u><u>(89,443)</u></u>	<u><u>34,985,412</u></u>

At the end of fiscal year 2024, the District's investment in capital assets amounted to \$34,985,412 (net of accumulated depreciation and amortization). This investment in capital assets includes land, supply plant, pumping plant, transmission and distribution mains, general plant and equipment, right-to-use office building, and construction-in-process.

Changes in capital asset amounts for 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Capital assets:				
Non-depreciable and amortizable assets	\$ 3,473,560	2,858,440	(3,184,496)	3,147,504
Depreciable and amortizable assets	48,747,300	3,266,670	(34,326)	51,979,644
Accumulated depreciation and amortization	<u>(19,046,353)</u>	<u>(1,016,984)</u>	<u>-</u>	<u>(20,063,337)</u>
Total capital assets	\$ <u><u>33,174,507</u></u>	<u><u>5,108,126</u></u>	<u><u>(3,218,822)</u></u>	<u><u>35,063,811</u></u>

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$35,063,811 (net of accumulated depreciation and amortization). This investment in capital assets includes land, supply plant, pumping plant, transmission and distribution mains, general plant and equipment, right-to-use office building, and construction-in-process. See Note 4 to the basic financial statements for further detailed information on the District's capital assets.

Purissima Hills Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Debt Administration

Changes in long-term debt amounts for 2024 were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance</u> <u>2024</u>
Long-term debt:				
Finance lease payable	\$ 861,132	-	(18,405)	842,727
Loan payable	<u>6,469,000</u>	<u>-</u>	<u>(501,000)</u>	<u>5,968,000</u>
Total long-term debt	7,330,132	<u>-</u>	<u>(519,405)</u>	6,810,727
Less: current portion	<u>(519,405)</u>			<u>(531,922)</u>
Non-current portion	<u>\$ 6,810,727</u>			<u>6,278,805</u>

In fiscal year 2024, long-term debt decreased by \$519,405 due to current year scheduled principal payments. The long-term debt position of the District is more fully analyzed in Note 6 to the basic financial statements.

Changes in long-term debt amounts for 2023 were as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance</u> <u>2023</u>
Long-term debt:				
Finance lease payable	\$ 878,085	-	(16,953)	861,132
Loan payable	<u>6,960,000</u>	<u>-</u>	<u>(491,000)</u>	<u>6,469,000</u>
Total long-term debt	7,838,085	<u>-</u>	<u>(507,953)</u>	7,330,132
Less: current portion	<u>(507,952)</u>			<u>(519,405)</u>
Non-current portion	<u>\$ 7,330,133</u>			<u>6,810,727</u>

In fiscal year 2023, long-term debt decreased by \$507,953 due to current year scheduled principal payments.

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 in terms of past, present, and future periods.

Purissima Hills Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with respect to 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 Interim General Manager at 26375 W. Fremont Road, Los Altos Hills, California 94022 – (650) 948-1217.

Basic Financial Statements

Purissima Hills Water District
Statements of Net Position
June 30, 2024
(with Comparative Information Presented for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,393,408	5,328,373
Investments (note 2)	3,095,615	-
Accrued interest receivable	64,553	30,338
Accounts receivable – water sales and services	1,142,855	1,016,651
Accounts receivable – other	147,429	50,355
Lease receivables (note 3)	223,563	209,367
Materials and supplies inventory	407,761	322,267
Water-in-storage inventory	25,083	27,216
Prepaid expenses and other deposits	43,214	52,735
Total current assets	<u>8,543,481</u>	<u>7,037,302</u>
Non-current assets:		
Lease receivables (note 3)	1,262,764	1,486,327
Capital assets – not being depreciated (note 4)	3,956,497	3,147,504
Depreciable capital assets, net (note 4)	31,028,915	31,916,307
Total non-current assets	<u>36,248,176</u>	<u>36,550,138</u>
Total assets	<u>44,791,657</u>	<u>43,587,440</u>
Deferred outflows of resources:		
Deferred pension outflows (note 7)	581,709	642,139
Total deferred outflows of resources	<u>\$ 581,709</u>	<u>642,139</u>

Continued on next page

See accompanying notes to the basic financial statements.

Purissima Hills Water District
Statements of Net Position, continued
June 30, 2024
(with Comparative Information Presented for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Current liabilities:		
Accounts payable	\$ 795,173	790,807
Accrued wages and related payables	11,256	6,513
Unearned revenue	49,098	84,115
Customer deposits	20,749	38,138
Long-term liabilities – due within one year:		
Compensated absences (note 5)	52,412	33,256
Finance lease payable (note 6)	19,922	18,405
Loan payable (note 6)	512,000	501,000
Total current liabilities	<u>1,460,610</u>	<u>1,472,234</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Finance lease payable (note 6)	822,805	842,727
Loan payable (note 6)	5,456,000	5,968,000
Net pension liability (note 7)	1,026,018	906,164
Total non-current liabilities	<u>7,304,823</u>	<u>7,716,891</u>
Total liabilities	<u>8,765,433</u>	<u>9,189,125</u>
Deferred inflows of resources:		
Deferred lease inflows (note 3)	742,620	910,363
Deferred pension inflows (note 7)	86,578	118,250
Total deferred inflows of resources	<u>829,198</u>	<u>1,028,613</u>
Net position:		
Net investment in capital assets (note 8)	28,174,685	27,733,679
Unrestricted (note 9)	7,604,050	6,278,162
Total net position	<u>\$ 35,778,735</u>	<u>34,011,841</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 Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Water consumption sales	\$ 6,820,233	5,660,279
Meter service charges	1,128,757	1,030,963
Storage and transmission facility charges	68,600	130,336
Other charges	121,736	71,334
Total operating revenues	<u>8,139,326</u>	<u>6,892,912</u>
Operating expenses:		
Source of supply	3,836,841	3,563,347
Pumping	462,110	370,354
Transmission and distribution	1,716,160	1,665,718
Water treatment	27,560	23,091
Customer accounts	141,039	157,808
General and administrative	1,244,474	1,164,086
Total operating expenses	<u>7,428,184</u>	<u>6,944,404</u>
Operating income (loss) before depreciation and amortization	711,142	(51,492)
Depreciation and amortization	<u>(1,119,474)</u>	<u>(1,016,983)</u>
Operating loss	<u>(408,332)</u>	<u>(1,068,475)</u>
Non-operating revenue (expenses):		
Property tax revenue	1,619,518	1,534,754
Rental income – cellular site leases	166,729	169,201
Rental income – interest income	48,008	54,067
Investment earnings, net of fair value	256,123	105,272
Interest expense – long-term debt	(154,110)	(165,177)
Gain on asset disposal	14,645	-
Insurance recovery proceeds	81,934	-
Other non-operating revenues	22,219	4,102
Total non-operating revenues, net	<u>2,055,066</u>	<u>1,702,219</u>
Net income before capital contributions	<u>1,646,734</u>	<u>633,744</u>
Capital contributions:		
Local agency – Los Altos Hills County Fire Department	120,160	-
Total capital contributions	<u>120,160</u>	<u>-</u>
Change in net position	1,766,894	633,744
Net position, beginning of period, as previously stated	<u>34,011,841</u>	<u>33,378,097</u>
Net position, end of period	<u>\$ 35,778,735</u>	<u>34,011,841</u>

See accompanying notes to the basic financial statements.

Purissima Hills Water District
Statements of Cash Flows
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 7,885,861	6,879,064
Cash paid to employees for salaries and wages	(1,154,044)	(1,623,153)
Cash paid to suppliers for water and power	(4,298,951)	(3,942,943)
Cash paid to vendors and suppliers for materials and services	(2,039,895)	(1,039,536)
Net cash provided by operating activities	<u>392,971</u>	<u>273,432</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,619,518	1,534,754
Proceeds from rental income	214,737	223,268
Net cash provided by non-capital financing activities	<u>1,834,255</u>	<u>1,758,022</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,041,075)	(2,764,544)
Proceeds from capital contributions	120,160	-
Proceeds from insurance recovery	81,934	-
Principal paid on long-term debt	(519,405)	(507,953)
Interest paid on long-term debt	(154,110)	(165,177)
Net cash used in capital and related financing activities	<u>(1,512,496)</u>	<u>(3,437,674)</u>
Cash flows from investing activities:		
Investment earnings, net of fair value	221,908	137,471
Purchases and sales of investments, net	(2,871,603)	-
Net cash (used in) provided by investing activities	<u>(2,649,695)</u>	<u>137,471</u>
Net decrease in cash and cash equivalents	<u>(1,934,965)</u>	<u>(1,268,749)</u>
Cash and cash equivalents – beginning of year	<u>5,328,373</u>	<u>6,597,122</u>
Cash and cash equivalents – end of year	<u>\$ 3,393,408</u>	<u>5,328,373</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 3,393,408	5,328,373
Cash and cash equivalents – end of year	<u>\$ 3,393,408</u>	<u>5,328,373</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 Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (408,332)	(1,068,475)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation and amortization	1,119,474	1,016,983
Other non-operating expenses	22,219	4,102
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable – water sales and services, net	(126,204)	(21,009)
Accounts receivable – other	(97,074)	(14,041)
Materials and supplies inventory	(85,494)	24,045
Water-in-storage inventory	2,133	(496)
Prepaid expenses and other deposits	9,521	(30,515)
(Increase)Decrease in deferred outflows of resources:		
Deferred pension outflows	60,430	(399,733)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	4,366	227,279
Accrued expenses	4,743	(436)
Unearned revenue	(35,017)	13,294
Customer construction deposits	(17,389)	-
Compensated absences	19,156	(6,507)
Net pension liability	119,854	750,989
Increase(Decrease) in deferred inflows of resources:		
Deferred lease inflows	(167,743)	(123,579)
Deferred pension inflows	(31,672)	(98,469)
Total adjustments	<u>801,303</u>	<u>1,341,907</u>
Net cash provided by operating activities	<u>\$ 392,971</u>	<u>273,432</u>
Non-cash investing, capital, and financing transactions:		
Changes in fair value of investments	\$ (20,903)	(56,968)
Total non-cash investing, capital, and financing transactions	<u>\$ (20,903)</u>	<u>(56,968)</u>

See accompanying notes to the basic financial statements.

Purissima Hills Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(1) Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the 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 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, and another off Hillview Avenue. The SFPUC water supply is gravity-fed through 18" transmission mains to two pump stations that distribute water throughout the District. The distribution system consists of 4 pressure zones, 10 tanks, 5 pumping stations, 15 pumps, and 80 miles of pipe.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

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.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Financial Reporting

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

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. See Note 12 for the impact of this note on the financial statements due to a correction of an error.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Financial Reporting, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. 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 and liabilities and the 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.

2. 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 twelve months or less to be cash equivalents.

3. 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.

4. 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.

5. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management has evaluated the accounts and believes all accounts are collectible at June 30. When management deems customer accounts uncollectible, the District uses the direct write off method for the write-off those accounts to bad debt expense.

6. Lease Receivables

Lease receivables are recorded by the District as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

7. 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.

8. Prepaids

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

9. 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 acquisition 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 –50 years
- Buildings –50 years
- Transportation and other equipment – 5 to 10 years
- Computer and office equipment – 3 years

Right-to-use leased and subscription-based information technology assets are recognized at the lease or subscription arrangement commencement date and represent the District's right to use an underlying asset for the agreement term. Right to use assets are measured at the initial value of the liability plus any payments made to the vendor before commencement of the agreement term, less any incentives received from the vendor at or before the commencement of the lease term, plus any initial direct costs, such as shipping, installation, or capitalizable initial implementation costs, necessary to place the asset into service. Right to use assets are amortized over the shorter of the agreement term or useful life of the underlying asset using the straight-line method. At June 30, 2024, the current remaining amortization period is 21 years.

10. Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following pension related items that qualify for reporting in this category:

Pensions

- Deferred outflow which is 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.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

10. Deferred Outflows of Resources, continued

Pensions, continued

- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5-year period.
- Deferred outflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.

11. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and portions of sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

12. 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 District'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 Dates: June 30, 2022 and 2021
- Measurement Dates: June 30, 2023 and 2022
- Measurement Periods: July 1, 2022 to June 30, 2023 and July 1, 2021 to June 30, 2022

13. Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of net assets. 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. The District has the following pension related item that qualifies for reporting in this category:

Pensions

- Deferred inflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.
- Deferred inflow for the net difference in actual and proportionate share of employer contributions which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

13. Deferred Inflows of Resources, continued

Leases

- Deferred inflows related to leases where the District is the lessor and is reported in the Statement of Net Position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the term of the lease.

14. 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* – Consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.
- *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* – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

15. Property Taxes

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 | January 1 |
| • Levy date | July 1 |
| • Due dates | November 1 and February 1 |
| • Collection dates | December 10 and April 10 |

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

16. Unearned Revenue

Contractors developing projects, which include construction of facilities to bring water from District mains into the project, deposit a construction advance with the District for an amount estimated to cover the District's costs related to the project. The District accounts for expenditures as construction in progress until the completion of the project. Upon the final inspection and approval of the District, the District will then capitalize the project as part of its capital assets. Revenues are recognized as the project progresses. At the completion of the project, any excess funds are refunded to the contractor.

17. Water Sales

Water sales are billed on a monthly cyclical basis and recognize the respective revenues when they are earned. The District accrues revenue for water distributed but not yet billed at the end of the year.

18. 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.

19. 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.

20. Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

(2) Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,393,408	5,328,373
Investments – current	<u>3,095,615</u>	<u>-</u>
Total cash and investments	<u><u>\$ 6,489,023</u></u>	<u><u>5,328,373</u></u>

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(2) Cash and Investments, continued

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

	<u>2024</u>	<u>2023</u>
Cash on hand	\$ 3,445	2,531
Deposits with financial institutions	1,573,097	1,627,867
Deposits in California Local Agency Investment Fund	1,816,866	3,697,975
Investments	<u>3,095,615</u>	<u>-</u>
Total	<u>\$ 6,489,023</u>	<u>5,328,373</u>

As of June 30, 2024, the District's authorized deposits had the following maturities:

<u>Deposit or Investment type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 months or less</u>	<u>13 to 24 months</u>
California Local Agency Investment Fund	\$ 1,816,866	1,816,866	-
United States Treasury notes	3,095,615	3,095,615	-
Money market mutual fund	<u>7,402</u>	<u>7,402</u>	<u>-</u>
Total	<u>\$ 4,919,883</u>	<u>4,919,883</u>	<u>-</u>

As of June 30, 2023, the District's authorized deposits had the following maturities:

<u>Deposit or Investment type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 months or less</u>	<u>13 to 24 months</u>
California Local Agency Investment Fund	\$ 3,697,975	3,697,975	-
Total	<u>\$ 3,697,975</u>	<u>3,697,975</u>	<u>-</u>

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(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
State and Local Agency Bonds*	5 years	None	None
U.S. Treasury Obligations	5 years**	None	None
U.S. Agency Securities	5 years**	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Non-negotiable Certificates of Deposit	1 year	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Supranational Obligations	N/A	30%	None
County Pooled Investment Funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	\$75 Million

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the District's legislative body in accordance with Government Code Section 53601

N/A – Not Applicable

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 Section 16429 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.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(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 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 and the Pool).

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.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings at June 30, 2024 consisted of the following:

Deposit or Investment type	June 30, 2024	Minimum Legal Rating	Exempt from Disclosure	Ratings AA+ to AA-
California Local Agency Investment Fund	\$ 1,816,866	N/A	1,816,866	-
United States Treasury notes	3,095,615	N/A	3,095,615	-
Money market mutual fund	7,402	Aaa	-	7,402
Total	\$ <u>4,919,883</u>		<u>4,912,481</u>	<u>7,402</u>

Credit ratings at June 30, 2023 consisted of the following:

Deposit or Investment type	June 30, 2023	Minimum Legal Rating	Exempt from Disclosure	Ratings AA+ to AA-
California Local Agency Investment Fund	\$ <u>3,697,975</u>	Aaa	<u>3,697,975</u>	-
Total	\$ <u>3,697,975</u>		<u>3,697,975</u>	-

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. At June 30, 2024 and 2023, investments in any one issuer (other than for external investment pools) that represent 5% or more of total District's investments comprised of U.S. Treasury Notes which represented 48% and 0% of the District's total investments, respectively.

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2024 are as follows:

Deposit or Investment type	June 30, 2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 1)	Significant Unobservable Inputs (Level 1)
United States Treasury notes	\$ <u>3,095,615</u>	<u>3,095,615</u>	-	-
Total investments measured at fair value	3,095,615	<u>3,095,615</u>	<u>-</u>	<u>-</u>
Deposits not subject to fair value hierarchy				
Local Agency Investment Fund	1,816,866			
Money market mutual fund	<u>7,402</u>			
Total	\$ <u>4,919,883</u>			

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(2) Cash and Investments, continued

Fair Value Measurements, continued

At June 30, 2023, the District did not hold any investments which required measurement at fair value on a recurring and non-recurring basis.

(3) Leases Receivable

Changes in leases receivable for the year ended June 30, 2024, were as follows:

	Balance 2023	Additions	Principal Payments	Balance 2024	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
Deer Creek - AT&T cell tower \$	632,721	-	(31,028)	601,693	33,480	568,213	(352,153)
La Cresta - T-Mobile cell tower	139,944	-	(43,829)	96,115	46,605	49,510	(52,886)
La Cresta - Sprint cell tower	149,433	-	(46,802)	102,631	49,766	52,865	(44,604)
La Cresta - Verizon cell tower	393,551	-	(55,684)	337,867	59,408	278,459	(118,175)
McCann - AT&T cell tower	380,045	-	(32,024)	348,021	34,304	313,717	(174,802)
Total leases receivable	<u>\$ 1,695,694</u>	<u>-</u>	<u>(209,367)</u>	<u>1,486,327</u>	<u>223,563</u>	<u>1,262,764</u>	<u>(742,620)</u>

Changes in leases receivable for the year ended June 30, 2023, were as follows:

	Balance 2022	Additions	Principal Payments	Balance 2023	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
Deer Creek - AT&T cell tower \$	661,412	-	(28,691)	632,721	31,028	601,693	(381,499)
La Cresta - T-Mobile cell tower	181,120	-	(41,176)	139,944	43,829	96,115	(79,329)
La Cresta - Sprint cell tower	193,403	-	(43,970)	149,433	46,802	102,631	(89,210)
La Cresta - Verizon cell tower	445,680	-	(52,129)	393,551	55,685	337,866	(141,809)
McCann - AT&T cell tower	409,890	-	(29,845)	380,045	32,023	348,022	(218,516)
Total leases receivable	<u>\$ 1,891,505</u>	<u>-</u>	<u>(195,811)</u>	<u>1,695,694</u>	<u>209,367</u>	<u>1,486,327</u>	<u>(910,363)</u>

Deer Creek – AT&T Cell Tower

On July 1, 2006, the District entered into a lease agreement with AT&T Wireless (AT&T). AT&T has agreed to pay the District for the purpose of leasing communication tower space at the Deer Creek Tank site. The terms of the current agreement require AT&T to pay the District in annual installments through June 23, 2036 and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$352,153. Interest revenue recognized on the lease was \$18,557 for the year ended June 30, 2024. Principal receipts of \$31,028 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$381,499. Interest revenue recognized on the lease was \$19,450 for the year ended June 30, 2023. Principal receipts of \$28,691 were recognized during the year.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(3) Leases Receivable, continued

Deer Creek – AT&T Cell Tower, continued

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 33,480	17,593	51,073	(29,346)
2026	36,052	16,553	52,605	(29,346)
2027	38,748	15,435	54,183	(29,346)
2028	41,575	14,234	55,809	(29,346)
2029	44,537	12,946	57,483	(29,346)
2030-2034	272,260	42,083	314,343	(146,730)
2035-2036	<u>135,041</u>	<u>4,291</u>	<u>139,332</u>	<u>(58,693)</u>
Total	601,693	<u>123,135</u>	<u>724,828</u>	<u>(352,153)</u>
Current	<u>(33,480)</u>			
Non-current	\$ <u>568,213</u>			

La Cresta – T-Mobile Cell Tower

On October 16, 1996, the District entered into a lease agreement with T-Mobile (T-Mobile). T-Mobile has agreed to pay the District for the purpose of leasing communication tower space at the La Cresta Tank site. The terms of the agreement require T-Mobile to pay the District in annual installments through October 9, 2026, and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$52,886. Interest revenue recognized on the lease was \$3,599 for the year ended June 30, 2024. Principal receipts of \$43,829 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$79,329. Interest revenue recognized on the lease was \$4,870 for the year ended June 30, 2023. Principal receipts of \$41,176 were recognized during the year.

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 46,605	2,246	48,851	(26,443)
2026	<u>49,510</u>	<u>808</u>	<u>50,318</u>	<u>(26,443)</u>
Total	96,115	<u>3,054</u>	<u>99,169</u>	<u>(52,886)</u>
Current	<u>(46,605)</u>			
Non-current	\$ <u>49,510</u>			

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(3) Leases Receivable, continued

La Cresta – Sprint Cell Tower

On March 13, 1997, the District entered into a lease agreement with Sprint Wireless (Sprint). Sprint has agreed to pay the District for the purpose of leasing communication tower space at the La Cresta Tank site. The terms of the agreement require Sprint to pay the District in annual installments through March 3, 2027, and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$44,604. Interest revenue recognized on the lease was \$3,843 for the year ended June 30, 2024. Principal receipts of \$46,802 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$89,210. Interest revenue recognized on the lease was \$5,201 for the year ended June 30, 2023. Principal receipts of \$43,970 were recognized during the year.

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 49,766	2,398	52,164	(22,302)
2026	52,865	863	53,728	(22,302)
Total	102,631	3,261	105,892	(44,604)
Current	(49,766)			
Non-current	\$ 52,865			

La Cresta – Verizon Cell Tower

On October 1, 1989, the District entered into a lease agreement with Verizon Wireless (Verizon). Verizon has agreed to pay the District for the purpose of leasing communication tower space at the La Cresta Tank site. The terms of the agreement require Verizon to pay the District in annual installments through September 21, 2029, and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$118,175. Interest revenue recognized on the lease was \$11,045 for the year ended June 30, 2024. Principal receipts of \$55,685 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$141,809. Interest revenue recognized on the lease was \$12,658 for the year ended June 30, 2023. Principal receipts of \$52,129 were recognized during the year.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(3) Leases Receivable, continued

La Cresta – Verizon Cell Tower, continued

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 59,408	9,324	68,732	(23,634)
2026	63,306	7,488	70,794	(23,634)
2027	67,385	5,533	72,918	(23,634)
2028	71,652	3,453	75,105	(23,634)
2029	76,116	1,243	77,359	(23,639)
Total	337,867	27,041	364,908	(118,175)
Current	(59,408)			
Non-current	\$ 278,459			

McCann – AT&T Cell Tower

On July 1, 2003, the District entered into a lease agreement with AT&T Wireless (AT&T). AT&T has agreed to pay the District for the purpose of leasing communication tower space at the McCann Tank site. The terms of the current agreement require AT&T to pay the District in annual installments through June 23, 2033, and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$174,802. Interest revenue recognized on the lease was \$10,963 for the year ended June 30, 2024. Principal receipts of \$32,022 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$218,516. Interest revenue recognized on the lease was \$11,889 for the year ended June 30, 2023. Principal receipts of \$29,845 were recognized during the year.

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 34,304	9,972	44,276	(21,852)
2026	36,694	8,910	45,604	(21,851)
2027	39,197	7,775	46,972	(21,850)
2028	41,818	6,563	48,381	(21,850)
2029	44,562	5,271	49,833	(21,850)
2030-2032	151,446	7,201	158,647	(65,549)
Total	348,021	45,692	393,713	(174,802)
Current	(34,304)			
Non-current	\$ 313,717			

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 180,099	-	-	180,099
Construction-in-process	<u>2,967,405</u>	<u>898,436</u>	<u>(89,443)</u>	<u>3,776,398</u>
Total non-depreciable assets	<u>3,147,504</u>	<u>898,436</u>	<u>(89,443)</u>	<u>3,956,497</u>
Depreciable assets:				
Supply plant	244,914	-	-	244,914
Pumping plant	3,058,158	-	-	3,058,158
Transmission and distribution mains	45,140,868	6,969	-	45,147,837
General plant and equipment	2,539,715	225,113	(40,814)	2,724,014
Office Building – Right-to-use Asset	<u>995,989</u>	<u>-</u>	<u>-</u>	<u>995,989</u>
Total depreciable assets	<u>51,979,644</u>	<u>232,082</u>	<u>(40,814)</u>	<u>52,170,912</u>
Accumulated depreciation and amortization:				
Supply plant	(235,560)	(312)	-	(235,872)
Pumping plant	(1,898,480)	(124,404)	-	(2,022,884)
Transmission and distribution mains	(15,831,943)	(823,041)	-	(16,654,984)
General plant and equipment	(1,624,259)	(146,817)	40,814	(1,730,262)
Office Building – Right-to-use Asset	<u>(473,095)</u>	<u>(24,900)</u>	<u>-</u>	<u>(497,995)</u>
Total accumulated depreciation and amortization	<u>(20,063,337)</u>	<u>(1,119,474)</u>	<u>40,814</u>	<u>(21,141,997)</u>
Total depreciable assets, net	<u>31,916,307</u>	<u>(887,392)</u>	<u>-</u>	<u>31,028,915</u>
Total capital assets, net	<u>\$ 35,063,811</u>			<u>34,985,412</u>

Major changes to capital assets in 2024 consisted primarily of additions of \$898,436 in additions to construction-in-progress, \$6,969 in upgrades to transmission and distribution mains and \$225,113 in upgrades to general plant and equipment. Major deletions include \$89,443 in transfers from construction in progress include \$75,916 in expensed abandoned projects and \$13,527 to depreciable assets and \$40,814 in general plant and equipment.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(4) Capital Assets, continued

Changes in capital assets for the year ended June 30, 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land	\$ 180,099	-	-	180,099
Construction-in-process	<u>3,293,461</u>	<u>2,858,440</u>	<u>(3,184,496)</u>	<u>2,967,405</u>
Total non-depreciable assets	<u>3,473,560</u>	<u>2,858,440</u>	<u>(3,184,496)</u>	<u>3,147,504</u>
Depreciable and amortizable assets:				
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
Office Building – Right-to-use Asset	<u>995,989</u>	<u>-</u>	<u>-</u>	<u>995,989</u>
Total depreciable and amortizable assets	<u>48,747,300</u>	<u>3,266,670</u>	<u>(34,326)</u>	<u>51,979,644</u>
Accumulated depreciation and amortization:				
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)
Office Building – Right-to-use Asset	<u>(448,195)</u>	<u>(24,900)</u>	<u>-</u>	<u>(473,095)</u>
Total accumulated depreciation and amortization	<u>(19,046,353)</u>	<u>(1,016,984)</u>	<u>-</u>	<u>(20,063,337)</u>
Total depreciable assets, net	<u>29,700,947</u>	<u>2,249,686</u>	<u>(34,326)</u>	<u>31,916,307</u>
Total capital assets, net	<u>\$ 33,174,507</u>			<u>35,063,811</u>

Major changes to capital assets in 2023 consisted primarily of additions of \$2,858,440 in additions to construction-in-progress, \$9,354 in upgrades to supply plant assets, \$3,123,797 in upgrades to transmission and distribution mains, and \$133,519 in general plant and equipment. Major deletions include \$3,184,496 in transfers from construction in progress to depreciable assets and \$34,326 in adjustment to pumping plant assets.

(5) Compensated Absences

Changes to compensated absences for the year ended June 30, 2024 were as follows:

<u>Balance 2023</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2024</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 33,256	109,179	(90,023)	52,412	52,412	-

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
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(5) Compensated Absences, continued

Changes to compensated absences for the year ended June 30, 2023 were as follows:

<u>Balance</u> <u>2022</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2023</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 39,763	104,441	(110,948)	33,256	33,256	-

(6) Long-term Debt

Changes in long-term debt amounts for the year ended June 30, 2024 were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2024</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Long-term debt:						
Finance lease payable:						
W. Fremont Road – office building lease \$	861,132	-	(18,405)	842,727	19,922	822,805
Subtotal finance lease payable	861,132	-	(18,405)	842,727	19,922	822,805
Loan payable:						
2020 Installment Sale Agreement	\$ 6,469,000	-	(501,000)	5,968,000	512,000	5,456,000
Subtotal loan payable	6,469,000	-	(501,000)	5,968,000	512,000	5,456,000
Total long-term debt	\$ 7,330,132	-	(519,405)	6,810,727	531,922	6,278,805

Changes in long-term debt amounts for the year ended June 30, 2023 were as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Long-term debt:						
Finance lease payable:						
W. Fremont Road – office building lease \$	878,085	-	(16,953)	861,132	18,405	842,727
Subtotal finance lease payable	878,085	-	(16,953)	861,132	18,405	842,727
Loan payable:						
2020 Installment Sale Agreement	\$ 6,960,000	-	(491,000)	6,469,000	501,000	5,968,000
Subtotal loan payable	6,960,000	-	(491,000)	6,469,000	501,000	5,968,000
Total long-term debt	\$ 7,838,085	-	(507,953)	7,330,132	519,405	6,810,727

W. Fremont Road – Office Building Lease

On December 17, 2004, the District entered into an agreement with Town of Los Altos Hills, to lease office space for the purpose of the District's administrative office operations. Terms of the agreement commenced on April 1, 2005, maturing on March 31, 2045, with base rent due monthly at \$3,101 per month for the entire lease term.

Following the provisions set forth by *GASB Statement No. 87*, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 2.16%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
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(with Comparative Information Presented for June 30, 2023)

(6) Long-term Debt, continued

W. Fremont Road – Office Building Lease, continued

Annual lease payments are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		26,681	16,007	42,688
2030-2034		163,177	70,262	233,439
2035-2039		220,946	49,674	270,620
2040-2044		291,535	22,188	313,723
2045		<u>50,919</u>	<u>459</u>	<u>51,378</u>
Total		842,727	<u>227,799</u>	<u>1,070,526</u>
Current		<u>(19,922)</u>		
Non-current	\$	<u>822,805</u>		

2020 Installment Sale Agreement

On January 1, 2020, the District entered into an installment sale agreement with Zion's Bank. The District issued \$8,103,000 of 2020 Installment Sale Agreement (Loan). The Loans purpose is to finance the acquisition and construction of certain improvements and facilities which constitute part of the District's water system infrastructure. Under terms of the Installment Sale Agreement Contract associated with the Loan, the District makes principal and interest payments that are paid on a quarterly basis by the District to the holder of the Loan. Interest and principal payments are due September 30, December 30, March 30, and June 30, commencing with the first payment on March 30, 2020, with an interest rate of 2.16%. The Loan is scheduled to mature on December 30, 2034.

Future principal and interest obligations on the note as of June 30, are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		558,000	78,710	636,710
2030-2034		2,978,000	205,875	3,183,875
2035		<u>316,000</u>	<u>2,560</u>	<u>318,560</u>
Total		5,968,000	<u>718,394</u>	<u>6,686,394</u>
Current		<u>(512,000)</u>		
Non-current	\$	<u>5,456,000</u>		

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
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(7) Defined Benefit Pension Plan

Plan Description

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

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.

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 (Classic) Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. Employees hired after January 1, 2013, and have not previously participated in a CalPERS plan are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the District's CalPERS 2.0% at 55 Retirement Plan.

The Plan's provisions and benefits in effect at June 30 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 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%
2024:		
Required employee contribution rates	6.93%	8.25%
Required employer contribution rates	10.87%	8.00%
2023:		
Required employee contribution rates	7.00%	7.25%
Required employer contribution rates	9.30%	7.76%

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(7) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to 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 Plan 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. 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 Plan were as follows:

		<u>2024</u>	<u>2023</u>
Contributions – employer	\$	<u>157,668</u>	<u>154,827</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:

		<u>2024</u>	<u>2023</u>
Miscellaneous Plan	\$	<u>1,026,018</u>	<u>906,164</u>

The District's net pension liability for the PERF C is measured as the proportionate share of the net pension liability for the miscellaneous pool. As of June 30, 2024 and 2023, the net pension liability of the Plan is measured as of June 30, 2023 and 2022 (the measurement dates), respectively. The total pension liability for the PERF C's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021 (valuation dates), rolled forward to June 30, 2023 and 2022, respectively, 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 change in the proportionate share of the net pension liability as of the fiscal years ended June 30, were as follows:

	<u>2024</u>	<u>2023</u>
Proportion – beginning of year	0.01937%	0.00817%
Proportion – end of year	<u>0.02052%</u>	<u>0.01937%</u>
Change – Increase	<u>0.00115%</u>	<u>0.01120%</u>

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2024 and 2023, the District recognized pension expense of \$152,085 and \$277,366, respectively.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(7) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

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

Description	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 157,668	-	154,827	-
Differences between actual and expected experience	52,415	(8,131)	18,198	(12,188)
Change in assumptions	61,945	-	92,855	-
Net difference between projected and actual earnings on plan investments	166,122	-	165,985	-
Differences between actual contribution and proportionate share of contribution	-	(78,447)	-	(106,062)
Net adjustment due to differences in proportions of net pension liability	<u>143,559</u>	<u>-</u>	<u>210,274</u>	<u>-</u>
Total	\$ <u>581,709</u>	<u>(86,578)</u>	<u>642,139</u>	<u>(118,250)</u>

As of June 30 2024 and 2023, the District reported \$157,668 and \$154,827, respectively, as deferred outflows of resources related to contributions subsequent to the measurement dates. Pension contributions subsequent to the measurement date for the year ended June 30, 2024, will be recognized as a reduction of the net pension liability for the year ended June 30, 2025. Pension contributions subsequent to the measurement date for the year ended June 30, 2023, were recognized as a reduction of the net pension liability for the year ended June 30, 2024.

At June 30, 2024, other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2025	\$ 124,709
2026	82,027
2027	125,960
2028	<u>4,767</u>
Total	\$ <u>337,463</u>

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation report was determined using the following actuarial assumptions:

Valuation dates	June 30, 2022 and 2021
Measurement dates	June 30, 2023 and 2022
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	2024 - 6.90%
	2023 - 6.90%
Inflation	2024 - 2.30%
	2023 - 2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90% Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' membership data for all funds
Period upon which actuarial Experience Survey assumption were based	2024 – 1997-2015
	2023 – 1997-2015
Post retirement benefit	2024 & 2023 – Contract COLA up to 2.30% until Purchasing power protection allowance floor on purchasing power applies, 2.30% 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 for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
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(7) Defined Benefit Pension Plan, continued

Long-term Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

As of June 30, 2024, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity - Cap-weighted	30.00 %	4.45 %	
Global Equity - Non-Cap-weighted	12.00	3.84	
Private Equity	13.00	7.28	
Treasury	5.00	0.27	
Mortgage-backed securities	5.00	0.50	
Investment Grade Corporates	10.00	1.56	
High Yield	5.00	2.27	
Emerging Market Debt	5.00	2.48	
Private Debt	5.00	3.57	
Real Assets	15.00	3.21	
Leverage	-5.00	-0.59	
Total	100.00 %		

* An expected inflation of 2.30% used for this period

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

The table above 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, 2024 the discount rate comparison was the following:

	Discount Rate - 1 %	Current Discount Rate	Discount Rate + 1 %
	5.90%	6.90%	7.90%
District's net pension liability	\$ 1,773,055	1,026,018	411,143

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
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(7) Defined Benefit Pension Plan, continued

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

At June 30, 2023 the discount rate comparison was the following:

		Prior	
	Discount	Discount	Discount
	Rate - 1%	Rate	Rate + 1%
	5.90%	6.90%	7.90%
District's net pension liability	\$ 1,614,943	906,164	323,014

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 46 and 47 for the Required Supplementary Information.

(8) Net Investment in Capital Assets

Calculation of net investment in capital assets as of June 30 were as follows:

	2024	2023
Capital assets:		
Capital assets – not being depreciated	\$ 3,956,497	3,147,504
Capital assets, net – being depreciated or amortized	31,028,915	31,916,307
Current:		
Leases and SBITAs payable	(19,922)	(18,405)
Loan payable	(512,000)	(501,000)
Non-current:		
Leases and SBITAs payable	(822,805)	(842,727)
Loan payable	(5,456,000)	(5,968,000)
Total net investment in capital assets	\$ 28,174,685	27,733,679

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

(9) Unrestricted Net Position

Unrestricted net position as of June 30 were categorized as follows:

	<u>2024</u>	<u>2023</u>
Non-spendable net position:		
Prepaid expenses and other deposits	\$ 43,214	52,735
Total non-spendable net position	<u>43,214</u>	<u>52,735</u>
Spendable net position are as follows:		
Unrestricted	<u>7,560,836</u>	<u>6,225,427</u>
Total spendable net position	<u>7,560,836</u>	<u>6,225,427</u>
Total unrestricted net position	<u>\$ 7,604,050</u>	<u>6,278,162</u>
Total net position	<u>\$ 35,778,735</u>	<u>34,011,841</u>

(10) Other District Sponsored Retirement Plan

Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that voluntarily elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust. The assets are held with Voya for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. The total market value of all plan assets held in trust at June 30, 2024 and 2023, were \$739,572 and \$595,062, respectively.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

(11) 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.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
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(11) Risk Management, continued

At June 30, 2024, 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: \$50 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 \$1,100,000, which includes District excess coverage of \$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 \$500 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 \$100 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Cyber liability: including cyber-security up to \$3,000,000 per member maximum limit, subject to a \$2,000,000 limit maximum per member. Cyber liability deductible is \$100,000 per incident.
- 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. The ACWA/JPIA purchased additional excess coverage layer: \$2,000,000 employer's liability.

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, 2024, 2023 and 2022. 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, 2024, 2023, and 2022, respectively.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2024 that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
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(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Purissima Hills Water District
Notes to the Basic Financial Statements, continued
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(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – Disclosure of Certain Capital Assets. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(13) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to 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.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

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.

(14) Subsequent Events

Management is not aware of any events or transactions, including estimates that provide additional evidence about conditions which existed after June 30, 2024, which require disclosure as of August 4, 2025, which is the date the financial statements were available to be issued.

Required Supplementary Information

Purissima Hills Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2024
Last Ten Years

Measurement dates	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.02052%	0.01937%	0.00817%	0.01642%	0.01498%	0.01373%	0.01397%	0.00513%	0.00859%	0.01267%
District's proportionate share of the net pension liability (asset)	\$ 1,026,018	906,164	155,175	692,678	599,677	517,625	550,597	443,593	235,576	313,189
District's covered payroll	\$ 1,012,537	839,861	835,707	787,199	676,997	643,049	635,362	617,228	591,003	563,729
District's proportionate share of the net pension liability as a percentage of its covered payroll	101.33%	107.89%	18.57%	87.99%	88.58%	80.50%	86.66%	71.87%	39.86%	55.56%
District's fiduciary net position as a percentage of the District's total pension liability	81.42%	82.57%	96.66%	83.09%	85.35%	86.30%	84.96%	86.22%	92.10%	89.10%

Notes to schedule:

Benefits changes:

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that long-term expected rate of return should be determined net of pension plan investment expense but without reduction of pension plan administrative expense.

The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

The inflation rate was reduced from 2.50% to 2.30%.

From fiscal year June 30, 2023 to June 30, 2024:

There were no changes in assumptions.

Purissima Hills Water District
Schedules of Pension Plan Contributions
As of June 30, 2024
Last Ten Years

Fiscal year ending	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 184,846	154,827	131,038	114,764	101,498	87,794	71,068	66,959	49,680	43,152
Contributions in relation to the actuarially determined contribution	(184,846)	(154,827)	(131,038)	(114,764)	(101,498)	(87,794)	(71,068)	(66,959)	(49,680)	(43,152)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,012,537	839,861	835,707	787,199	676,997	643,049	635,362	617,228	591,003	563,729
Contribution's as a percentage of covered payroll	18.26%	18.43%	15.68%	14.58%	14.99%	13.65%	11.19%	10.85%	8.41%	7.65%

Notes to schedule:

Valuation dates	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value	Market value	Market value	Market value	Market value	15 year Smoothed Market Method
Inflation	2.300%	2.300%	2.500%	2.500%	2.625%	2.750%	2.750%	2.750%	2.750%	2.750%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	6.90% (3)	7.150% (3)	7.000% (3)	7.250% (3)	7.375% (3)	7.500% (3)	7.500% (3)	7.500% (3)	7.500% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation'

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Report on Internal Controls and Compliance



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**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 audit 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 year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated August 4, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit 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. During our audit, we did identify a deficiency in internal control that we consider to be material weaknesses. For the year ended June 30, 2024, we identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

**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)**

Compliance and Other Matters

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, contract and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses.

District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses.

The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
August 4, 2025

**Purissima Hills Water District
Schedule of Finding and Response
For the Year Ended June 30, 2024**

<u>Finding Number</u>	<u>Finding and Recommendation</u>
<i>Material Weakness</i>	
2024-001	<u>Skills, Knowledge, and Experience under Financial Reporting including Management of Trial Balance Accounts and Records</u>
Criteria	The District's financial statements are prepared under Government Auditing Standards – U.S. Government Accountability Office (GAO) also known as Yellow Book. The Yellow Book, specifically relates to auditor independence, requires that a government entity have sufficient skills, knowledge, and experience (SKE) to oversee non-attest services performed by an auditor. The client does not need to have the SKE to perform the services but must be able to oversee them. As part of the audit, auditors must document their consideration of the client's SKE and the safeguards they are implementing to address any independence threats. This assessment ensures the client can reasonably evaluate the results of the auditor's work and recognize potential errors or misstatements. If a client doesn't have the necessary SKE to oversee non-attest services, the auditor may need to reassess their ability to perform the audit.
Condition	During our audit, we noted several occasions where the preparation of the audit support provided by the third-party consultant had not been reviewed prior to the audit by District staff and prior management. Third party support required many entries to complete reconciliation, resolve propriety issues, and complete audit-ready support. As a result, we were required to reassess our independence and the District's oversight and SKE during the audit. Further discussions with current management were considered beneficial as District personnel were ultimately able to provide the proper documentation to complete our audit. As a result, we believe the finding has been addressed.
Cause	The District's prior management was unable to review and oversee the audit preparation process prepared by the third-party accountant. In addition, year-end closing processes and controls did not reasonably ensure that balances are properly reconciled at year-end.
Effect	The District's financial statements contained material misstatements.
Recommendation	The District should consider onsite training by a qualified financial management individual and/or consider a consultant with the skills, knowledge, and experience to oversee the audit process. In addition, to implement year-end closing processes and controls to reasonably ensure that balances are properly reconciled at year-end.
View of Responsible Officials	Management agrees with the audit finding. The District is committed to ensuring that adequately trained and qualified accounting staff can prepare with proper oversight and review from a member of management and/or consultant are in place going forward to support financial reporting and oversight responsibilities. The District will review and amend its existing policies and procedures to ensure effective internal controls over the preparation and review of the District's year-end closing of its books and records.