

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Financial Statements

June 30, 2019

(With Independent Auditor's Report Thereon)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Table of Contents

June 30, 2019

	<u>Page</u>
Independent Auditor's Report	3 - 5
Management's Discussion and Analysis	6 - 9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10 - 11
Statement of Activities and Changes in Net Position	12 - 13
Statement of Cash Flows	14 - 15
Notes to the Financial Statements	16 - 28
Fund Financial Statements	
Balance Sheet	29 - 30
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual - Proprietary Fund	31 - 32
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	33 - 34
Summary Schedule of Prior Audit Findings	35

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Donner Summit Public Utility District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Donner Summit Public Utility District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on General Fund

As explained in Note 13 to the financial statements, management has omitted the Asset Retirement Obligation from the financial statements. Accounting principles generally accepted in the United States of America require the District to develop a reasonable estimate regarding its Asset Retirement Obligation and record that estimate as a liability and a deferred outflow of resources. In addition, those standards require recognition of this expense over the asset's remaining useful life. The amount by which this departure would affect the assets, liabilities, net position and expenses of the business-type activities has not been determined.

Qualified Opinion

In our opinion, except for the matter described in the "Basis for Adverse Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Donner Summit Public Utility District as of June 30, 2019, and the respective changes in the financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-9 and 31-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

Gibson & Company, Inc.
Certified Public Accountant

December 27, 2019
Sacramento, California

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

This section of the District's annual financial report is provided as supplementary information to the audited financial statements. It is Management's intention that this information provides the financial statement reader with a brief and concise overview and analysis of the District's financial activities for the fiscal year ended June 30, 2019.

REQUIRED FINANCIAL STATEMENTS

The District's annual report consists of: Management's Discussion and Analysis, Financial Statements, and Notes to the Financial Statements.

The basic financial statements following this discussion are: Statement of Net Position, Statement of Activities and Changes in Net Position, and Statement of Cash Flows. The District's basic statements report "Business-Type Activities" of the Water and Sewer operations. Following the basic financial statements are Notes to the Financial Statement that provide accounting methodology and other disclosures related to specifically identified financial statement reporting. The basic financial statements include Fund Financial Statements that consist of Balance Sheets and Statements of Activity – Budget and Actual.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

Our analysis below focuses on the net position and changes in net position of the District's governmental and business-type activities.

Net Position (In Thousands)

	Primary Government	
	Business-Type	
	Activities	
	June 30, 2019	June 30, 2018
Current and other assets	\$ 2,675	3,059
Capital assets	27,054	27,762
Total Assets	29,729	30,821
Long-term debt outstanding	15,076	15,642
Other liabilities	1,050	1,085
Total Liabilities	16,126	16,727
 Net Position		
Net investment in capital assets	11,192	11,314
Restricted for debt payment	737	733
Unrestricted	1,674	2,047
Total Net Position	\$ 13,603	14,094

Changes in Net Position (In Thousands)

Program revenue	\$ 2,665	2,528
General revenues		
Property tax	421	416
Grants	49	2,282
Gain (loss) on disposal of capital assets	-0-	12
Interest and other	38	21
Contributed capital	10	(2)
Total revenues	3,183	5,257
Expenses	3,674	3,413
Increase (Decrease) in net position	\$ (491)	1,844

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018/19

- The District's assets exceeded liabilities at the close of the fiscal year by \$13,602,792. This represents the net position (value) of the District as of June 30, 2019.
- The District budgets and funds current year capital outlays, rather than accrued depreciation. Therefore, to the degree that the District meets its obligations through current operating revenues, the net position is expected to decrease by the amount of depreciation expense. Total depreciation expense for the current fiscal year was \$803,877, and total revenues fell short of expenses by \$491,233, indicating that the District exceeded expectations by approximately \$312,644 for the current fiscal year excluding depreciation expense. The District will continue to make significant loan payments in the years ahead. Accordingly, management anticipates that it will be unable to fund future reserves in the foreseeable future.
- The District received \$130,903 under loan programs from the State of California Water Resource Control Board.
- The District paid off long-term debt and capital leases of \$716,935 during the current fiscal year.
- The District's utility service revenues were up slightly from the prior year. This was as expected since the District had rate increase during the year.
- The District's utility service expenses increased by \$260,717 from June 30, 2018 to June 30, 2019. This represent expected cost increases primarily related to payroll, repairs and sludge removal.
- Several of the District's operating and maintenance expenses had budget variances in several categories. The District continues to gain experience regarding the costs to operate the waste water treatment facility and is now implementing operations at the new water treatment facility. Management expects future year's costs to be more in line with budgets.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2019

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018/19 (Continued)

- Expenses for inflow and infiltration were well below budget. Other projects, environment conditions and low system flows prevented the District from performing work in this area.
- The District does not budget for depreciation; accordingly, there is a variance for this item.
- The District purchased \$95,373 of capital improvements during the current fiscal year.

NEXT YEAR BUDGET AND RATES

The Board of Directors adopted the District's 2019/20 budget on June 25, 2019. The District's rates were reviewed by the Board of Directors and may be adjusted during 2019/20.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations for the year ended June 30, 2019 and the District's financial condition as of June 30, 2019. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Donner Summit Public Utility District General Manager, Tom Skjelstad, at P.O. Box 610, Soda Springs, California 95728 or call 530-426-3456.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Net Position

June 30, 2019

Assets

	<u>Primary Government Business-Type Activities</u>
Current Assets	
Cash (Note 2)	\$ 2,234,479
Investments (Note 2)	3,275
Total Cash and Cash Equivalents	<u>2,237,754</u>
Accounts receivable	199,784
Allowance for doubtful accounts	(1,000)
Net accounts receivable	<u>198,784</u>
Grant receivable	30,622
Other receivable	20,975
Prepaid expenses	<u>187,125</u>
Total Current Assets	2,675,260
Noncurrent Assets	
Capital assets, net (Note 3)	<u>27,053,445</u>
Total Noncurrent Assets	<u>27,053,445</u>
 Total Assets	 \$ <u><u>29,728,705</u></u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Net Position

June 30, 2019

Liabilities and Net Position

		Primary Government
		Business-Type Activities
Liabilities		
Current Liabilities		
Accounts payable	\$	74,182
Other payable		48,433
Accrued expenses		178,723
Interest payable		62,353
Current portion of capital lease (Note 5)		2,158
Current portion of long-term debt (Note 4)		683,758
Total Current Liabilities		1,049,607
Noncurrent Liabilities		
Long-term debt (Note 4)		15,076,306
Total Noncurrent Liabilities		15,076,306
Total Liabilities		16,125,913
Net Position		
Net investment in capital assets		11,191,411
Restricted:		
Restricted for debt payment (Note 10)		737,378
Unrestricted		1,674,003
Total Net Position		13,602,792
Total Liabilities and Net Position	\$	29,728,705

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government</u>
			<u>Business-Type Activities</u>
Program Revenue			
Service fees	\$ 514,646	2,150,049	2,664,695
Total Program Revenue	514,646	2,150,049	2,664,695
Expenses			
Salaries	228,697	770,662	999,359
Employee benefits	75,834	256,090	331,924
Board expense	11,575	36,656	48,231
Professional fees	61,613	75,819	137,432
Equipment maintenance and repair	17,969	109,133	127,102
Operating supplies	6,235	20,901	27,136
Vehicle maintenance and repair	6,007	33,077	39,084
Facility maintenance and repair	44,768	61,396	106,164
Dues and subscriptions	2,176	6,917	9,093
Fees, permits and certifications	15,647	17,994	33,641
Training and education	495	6,441	6,936
Travel	369	2,205	2,574
Insurance	17,931	62,420	80,351
Office supplies	1,111	4,919	6,030
Utilities, communications and telemetry	39,175	404,047	443,222
Chemicals and lab supplies	40,031	118,947	158,978
Laboratory testing	7,603	49,683	57,286
Small tools and rental	7,692	16,233	23,925
Sludge removal	-0-	84,522	84,522
Depreciation	114,516	689,361	803,877
Interest	-0-	126,721	126,721
Land lease	-0-	20,250	20,250
Miscellaneous	8	26	34
Total Expenses	699,452	2,974,420	3,673,872
Net Program Revenue (Expense)	(184,806)	(824,371)	(1,009,177)

(Continued)

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government</u>
			<u>Business-Type Activities</u>
Net Program Revenue (Expense)	\$ (184,806)	(824,371)	(1,009,177)
General Revenues			
Property tax	29,161	391,800	420,961
Grants	49,073	-0-	49,073
Interest	329	1,041	1,370
Other	<u>8,681</u>	<u>28,004</u>	<u>36,685</u>
Total General Revenues	87,244	420,845	508,089
Contributed Capital	<u>-0-</u>	<u>9,855</u>	<u>9,855</u>
Increase (Decrease) in Net Position	\$ <u>(97,562)</u>	<u>(393,671)</u>	(491,233)
Net Position – Beginning of Year			<u>14,094,025</u>
Net Position – End of Year			\$ <u><u>13,602,792</u></u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2019

	Primary Government Business-Type Activities
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 2,629,573
Cash payments to suppliers for goods and services	(1,832,748)
Cash payments to employees for services	(962,135)
Other receipts	36,685
Net Cash Used by Operating Activities	(128,625)
Cash Flows From Non-Capital Financing Activities:	
Receipt of property taxes	420,961
Net Cash Provided By Non-Capital Financing Activities	420,961
Cash Flows From Capital and Related Financing Activities:	
Proceeds from long-term debt	130,903
Contributed capital	38,753
Grants received	38,148
Repayment of long-term debt	(716,935)
Interest paid on long-term debt	(126,441)
Net Cash Used By Capital and Related Financing Activities	(635,572)
Cash Flows From Investing Activities:	
Purchase of capital assets	(90,899)
Interest received on cash and investments	1,370
Net Cash Used By Investing Activities	(89,529)
Net Decrease In Cash	(432,765)
Cash and Cash Equivalents - Beginning of Year	2,670,519
Cash and Cash Equivalents - End of Year	\$ 2,237,754

(Continued)

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2019

	<u>Primary Government</u> <u>Business-Type</u> <u>Activities</u>
Reconciliation of Increase in Net Position to Net Cash Provided by operating activities:	
Increase (Decrease) in net position	\$ (491,233)
Adjustments to reconcile increase in net position to net cash provided by operating activities:	
Depreciation	803,877
Non-operating revenue	(481,259)
Non-operating expenses	126,721
(Increase) decrease in:	
Accounts receivable, net	14,410
Other receivable	(15,532)
Prepaid expenses	(37,156)
Increase (decrease) in:	
Accounts payable	(43,472)
Other payable	(9,926)
Accrued expenses	5,945
Deferred revenue	(1,000)
	<hr/>
Total adjustments	362,608
	<hr/>
Net Cash Used By Operating Activities	\$ <u><u>(128,625)</u></u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donner Summit Public Utility District (the “District”) operates under a state charter adopted March 24, 1950. The District operates under a board-manager form of government and provides water and sewer services.

The District’s government wide financial statements include the accounts of all operations.

Government-Wide Financial Statements

The District Financial Statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position and a Statement of Cash Flows. These statements present summaries of business-type activities for the District.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred.

The District applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the committee on Accounting Procedure. The District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

The Proprietary Fund includes a Statement of Net Position and a Statement of Revenues, Expenses and Changes in Fund Net Position.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues.

Budgets and Budgetary Accounting

By state law, the District's governing board must adopt a budget prior to the beginning of each fiscal year. The budget must be adopted in a properly noticed meeting.

Actual revenues and expenditures/expenses are compared to budgeted amounts monthly as a management control device for all budgeted funds. The District monitors capital expenditures by comparison to specific project appropriation accounts.

The District prepares its budgets on the cash basis of accounting. The nature and amount of adjustments necessary to reconcile the budget to GAAP are immaterial other than depreciation expense. A budget is prepared for the governmental and business-type activities.

Reserved Net Position

The District records reserves to indicate that a portion of the net position balance is legally segregated for a specific future use. Designated net position balances represent tentative plans for future use of financial resources.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets having an extended useful life are capitalized as capital assets at cost.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair acquisition value on the date donated. Maintenance and repair costs are charged to expenses as incurred. Replacements and capital improvements over \$2,500 are charged to capital asset accounts.

Capital assets are recorded in their respective fund. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight line method. Depreciation expense includes amortization of assets under capital leases. The estimated useful lives are as follows:

Facilities	5-50 years
Vehicles, furniture and equipment	3-25 years

Revenue Recognition – Property Taxes

Placer and Nevada Counties bill property taxes which attach as an enforceable lien on property. Property tax revenues are recognized when they become available. Available revenues include those property tax receivables expected to be collected within sixty days after year end. The Counties allocate property taxes to the District following the alternate method of property tax distribution as stated in California Revenue & Taxation Code Section 4701. Using this method, the Counties allocate to the District their portion of total billed property taxes less an estimated delinquency factor. The Counties then assume all responsibility for collections.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

It is the District's policy to permit employees to accumulate general leave benefits of up to 392 hours, which will be paid to the employee upon separation from District service. This accrual represents the estimated probable future payments attributable to employees' service for all periods prior to June 30, 2019 at their current rate of pay.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Statement of Cash Flows

For the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2019, all cash and investments held by the District are considered to be cash equivalents.

Subsequent Events

The effect of subsequent events have been evaluated through December 27, 2019, which is the date the financial statements were available to be issued.

(2) CASH AND INVESTMENTS

A summary of cash and investments held by the District at June 30, 2019 is as follows:

Cash on hand	\$	300
Cash on deposit at banks		2,234,179
Investments		<u>3,275</u>
	\$	<u><u>2,237,754</u></u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(2) CASH AND INVESTMENTS (CONTINUED)

All cash balances on deposit at banks are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure a District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral, as permitted by the State of California, is held in each respective bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged against all of the public deposits it holds.

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, this collateralizing process is categorized by GASB Statement No. 3 as being collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

The District has not adopted policies related to credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

The District's investment in the State investment pool is categorized by GASB Statement No. 3 as Category A investments since these investments are fully insured by the related entity. The investment pool does not release a credit quality.

Investments of the District are summarized as follows:

	<u>Carrying Amount</u>
State of California Local Agency Investment Fund	\$ <u>3,275</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(3) CAPITAL ASSETS

A summary of business-type activities capital assets is presented below:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Land	\$ 72,623	-0-	-0-	-0-	72,623
Sewage collection, treatment and disposal facilities	30,753,644	25,894	-0-	-0-	30,779,538
Sewage equipment	2,099	-0-	2,099	-0-	-0-
Water treatment and distribution facilities	5,445,413	-0-	-0-	-0-	5,445,413
Water equipment	317,877	2,569	-0-	-0-	320,446
Water and sewage equipment	291,665	-0-	-0-	-0-	291,665
Vehicles	237,125	-0-	-0-	-0-	237,125
Vehicles under capital lease	72,021	-0-	-0-	-0-	72,021
Office furniture and equipment	32,874	-0-	-0-	-0-	32,874
Construction in process	208,892	66,910	-0-	-0-	275,802
Total Capital Assets	<u>37,434,233</u>	<u>95,373</u>	<u>2,099</u>	<u>-0-</u>	<u>37,527,507</u>
Accumulated Depreciation	<u>9,672,284</u>	<u>803,877</u>	<u>2,099</u>	<u>-0-</u>	<u>10,474,062</u>
Net Book Value	<u>\$ 27,761,949</u>				<u>27,053,445</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(4) LONG-TERM DEBT-BUSINESS-TYPE ACTIVITIES

Long-term debt as of June 30, 2019, is summarized as follows:

	<u>Direct Borrowings</u>
State of California Water Resources Control Board loan; collateralized by net revenues of the District; interest at 0.75%; interest and principal payable in annual installments of \$719,191 on December 31; final payment due December 31, 2041.	\$ 15,141,355
State of California Water Resources Control Board loan; collateralized by District revenue; interest of 0%; principle payable in semi-annual installments of \$3,458 on July 1 and January 1; final payment due January 1, 2020.	3,458
Sierra Lakes County Water Districts loan; uncollateralized; interest at 2.75%; principal payable in annual installments of \$65,575 (plus accrued interest) on July 1; final payment due July 1, 2021.	196,725
State of California Water Resources Control Board loan; collateralized by net revenues of the District; interest at 0%; principal payable in semi-annual installments of \$9,094; final payment due January 1, 2048.	<u>518,338</u>
Total Long-Term Debt	15,859,876
Less Debt Issuance Costs	99,812
Less Current Portion of Long-Term Debt	<u>683,758</u>
Long-Term Debt Net of Current Portion	<u>\$ 15,076,306</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(4) LONG-TERM DEBT-BUSINESS-TYPE ACTIVITIES (CONTINUED)

Changes to the District's Long-Term Debt (Direct Borrowings) is as follows:

Long-Term Debt - Beginning of Year	\$ 16,420,772
New Long-Term Debt	130,903
Repayment of Long-Term Debt	<u>(691,799)</u>
 Long-Term Debt - End of Year	 <u>\$ 15,859,876</u>

The annual requirements to amortize District long-term debt (direct borrowings) as of June 30, 2019 is as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 683,758	118,970	802,728
2021	693,935	112,625	806,560
2022	698,512	106,245	804,757
2023	637,547	99,831	737,378
2024	642,193	95,186	737,379
2025 through 2029	3,281,869	405,023	3,686,892
2030 through 2034	3,403,337	283,554	3,686,891
2035 through 2039	3,529,430	157,462	3,686,892
2040 through 2044	2,216,546	31,964	2,248,510
2045 through 2048	72,749	-0-	72,749
	<u>\$ 15,859,876</u>	<u>1,410,860</u>	<u>17,270,736</u>

Terms of the above indebtedness provide for, among other things, restrictions on future borrowings and maintenance of certain reserves and financial ratios.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(5) CAPITAL LEASE-BUSINESS-TYPE ACTIVITIES

	<u>Direct Borrowings</u>
Lease payable to Ford Credit, collateralized by vehicles; interest at 5.65%; payable in monthly installments of \$2,169; final payment due July 2019. The agreement contains provisions that if the District fails to make payments as agreed all amounts are due immediately and lessor has option to take possession of the vehicles secured by the agreement.	\$ <u>2,158</u>
Total Capital Lease	2,158
Less Current Portion of Capital Lease	<u>2,158</u>
Capital Lease Net of Current Portion	<u>\$ -0-</u>
Changes to the District's Capital Lease (Direct Borrowings) is as follows:	
Capital Lease – Beginning of Year	\$ 27,294
Repayment of Capital Lease	<u>(25,136)</u>
Capital Lease – End of Year	<u>\$ 2,158</u>

Future minimum payments under the capital lease (direct borrowings) are as follows:

Year Ending June 30	Amount
2020	\$ <u>2,158</u>
	<u>\$ 2,158</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(6) PROCEEDS OF TAX LIMITATION

Article XIIB of the California Constitution, as implemented by SB 1352 of 1980, specifies that proceeds of taxes of governmental entities may increase by an amount not to exceed the change in population, and the change in the United States Consumer Price Index or California per capita personal income, whichever is less.

The proceeds of taxes limit for the fiscal year ended June 30, 2019 was \$3,157,821.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2020 is \$3,298,660.

The District is allowed to assess a property tax rate sufficient to cover its debt service requirements for the general obligation bonds for the business-type activities. These funds are restricted for debt service exclusively.

(7) RETIREMENT PLANS

The District self administers the Donner Summit Public Utility District Money Purchase Pension Plan (defined contribution) for its employees who have attained age 18, been employed for 12 months and have worked a minimum of 1,000 hours in order to be eligible to participate in the plan. The District can amend the plan at any time. The contribution ranges from 4% to 6% of the annual compensation for all qualified employees. Participants begin to vest at 20% after 2 years of service and are fully vested after 6 years of service. Forfeitures from non-vested participants are used to offset employer contribution requirements.

The required contribution for the year ended June 30, 2019 was \$47,697. This amount was paid after June 30, 2019 and is included in Accrued Expenses.

A 457 Deferred Compensation Plan has also been established by the District with Nationwide Retirement Solutions. Employees who completed ninety days of continuous service may elect to defer compensation up to 100% of their salary or \$19,000 (\$25,000 if employee will have obtained age 50 by the end of the calendar year), whichever is less. This Plan is fully funded with Nationwide Retirement Solutions.

It is the District's position that it has a fiduciary obligation for the due care required of a prudent investor in the management of the plan's resources but is not responsible for any loss due to the investment or failure of investment funds and assets of the plan, nor shall the District be required to replace any loss which may result from such investments.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(8) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of two Joint Powers Authorities for the operation of common risk management and insurance programs. The programs cover workers' compensation, property, liability and employees dishonesty insurance. The Authorities are governed by Executive Boards consisting of representatives from member districts. The Executive Boards control the operations of the Authorities, including selection of management and approval of operating budgets.

The relationship between the District and the Joint Powers Authorities is such that the Authorities are not a component unit of the District for financial reporting purposes.

For workers' compensation insurance, the District has joined together with other special districts within the state to form the Special Districts Workers' Compensation Authority ("SDWCA"). The District pays estimated annual premiums to the SDWCA based upon estimated payroll classified into rate categories pursuant to the rules published by the California Workers' Compensation Insurance Rating Bureau. Actual premium due is determined after the fiscal year end and is based upon actual payroll. The SDWCA is entitled to assess additional premiums or to refund premiums based upon a pro rata allocation of the District's premium paid to total premiums paid. The District is not assessed additional premiums or refunded premiums on an individual basis based upon claims or loss experience. The SDWCA agrees to pay all amounts legally required by California workers' compensation laws. The amounts of settlements have not exceeded coverage provided by SDWCA for the last three fiscal years.

For property, liability and employees dishonesty insurance, the District has joined together with other special districts within the state to form the Special Districts Risk Management Authority ("SDRMA"). The District pays an annual premium to SDRMA for its property, liability and employees dishonesty coverage. The SDRMA is entitled to assess additional premiums or to refund premiums based upon a pro rata allocation of the District's premium paid to total premiums paid. The District is not assessed additional premiums or refunded premiums on an individual basis based upon claims or loss experience. The amounts of settlements have not exceeded coverage provided by SDRMA for the last three fiscal years.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(9) OPERATING LEASE AND RENTAL COMMITMENTS

The District leases office equipment and land for its facilities under operating leases. Future minimum lease payments at June 30, 2019, are as follows:

<u>Year Ending June 30</u>	
2020	\$ 4,392
2021	<u>4,210</u>
	<u>\$ 8,602</u>

Total rent expense was \$4,392 for the year ended June 30, 2019.

(10) RESTRICTED NET POSITION - DEBT PAYMENT

A portion of the net position balance has been restricted in accordance with provisions of the debt due to the State of California. The loan provisions require the District to maintain an amount equal to loan payments due in the next 12 months in a reserve account.

(11) LEASE COMMITMENT

The District has a lease agreement with the Truckee Fire Protection District (TFPD) for the District's fire station facility. The lease expires June 30, 2027. TFPD has the option to renew the lease for two 25 year periods. The District receives \$1 per year under the terms of the lease.

(12) UNUSED CREDIT FACILITIES

The District has secured a finance agreement with the State Water Resources Control Board totaling \$44,000. As of June 30, 2019, no funds have been drawn under this agreement, leaving \$44,000 available for future needs. Funds can be drawn under this agreement through through November 1, 2018. Interest accrues at an interest rate of 0.0% per annum. Repayments will be made in semi-annual payments, with the final payment due January 2048.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2019

(13) DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

During the fiscal year, Statement No. 83 of the Governmental Accounting Standards Board became effective that requires the District to recognize the future cost of dismantling and removing the wastewater treatment plant, which is categorized by the standard as an “Asset Retirement Obligation”. The standard requires the District to record the Asset Retirement Obligation, a deferred outflow of resources, and annual expenses over the life of the related asset related to the District’s wastewater treatment plant. The standard requires these actions because the wastewater treatment plant sits on United States Forest Service property under a Special Use Permit that requires the land to be restored to its original condition at the end of the term of the Special Use Permit. Management believes recording this liability would not present an accurate representation of the District’s financial position. The wastewater treatment plant provides an essential service to thousands of residents and management believes it is highly unlikely it would no longer be needed in the community. In addition, management believes it is highly unlikely, given the related infrastructure, that the facility could be relocated. Further, the United States Forest Service has a history of routinely renewing Special Use Permits such that the District anticipates the wastewater treatment plant will occupy the site indefinitely. Accordingly, the District is not following the guidance required by Statement No. 83 of the Governmental Accounting Standards Board and this is a departure from generally accepted accounting principles.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2019

Assets

	Primary Government Proprietary Fund
Current Assets	
Cash	\$ 2,234,479
Investments	3,275
Total Cash and Cash Equivalents	2,237,754
Accounts receivable	199,784
Allowance for doubtful accounts	(1,000)
Net accounts receivable	198,784
Grant receivable	30,622
Other receivable	20,975
Prepaid expenses	187,125
Total Current Assets	2,675,260
Noncurrent Assets	
Capital assets, net	27,053,445
Total Noncurrent Assets	27,053,445
Total Assets	\$ 29,728,705

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2019

Liabilities and Fund Balances

	<u>Primary Government</u> <u>Proprietary</u> <u>Fund</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 74,182
Other payable	48,433
Accrued expenses	178,723
Interest payable	62,353
Current portion of capital lease	2,158
Current portion of long-term debt	683,758
Total Current Liabilities	<u>1,049,607</u>
Noncurrent Liabilities	
Long-term debt	<u>15,076,306</u>
Total Noncurrent Liabilities	<u>15,076,306</u>
Total Liabilities	16,125,913
Fund Balances	
Net investment in capital assets	11,191,411
Restricted:	
Restricted for debt payment	737,378
Unrestricted	<u>1,674,003</u>
Total Fund Balances	<u>13,602,792</u>
Total Liabilities and Fund Balances	<u>\$ 29,728,705</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual
Proprietary Fund

For the Year Ended June 30, 2019

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Service fees	\$ 2,430,313	2,664,695	(234,382)
Total Program Revenue	2,430,313	2,664,695	(234,382)
Expenses			
Salaries	966,397	999,359	(32,962)
Employee benefits	341,462	331,924	9,538
Board expense	49,626	48,231	1,395
Professional fees	99,804	137,432	(37,628)
Equipment maintenance and repair	44,243	127,102	(82,859)
Operating supplies	7,632	27,136	(19,504)
Vehicle maintenance and repair	44,143	39,084	5,059
Facility maintenance and repair	85,792	106,164	(20,372)
Dues and subscriptions	7,765	9,093	(1,328)
Fees, permits and certifications	45,904	33,641	12,263
Training and education	5,460	6,936	(1,476)
Travel	-0-	2,574	(2,574)
Insurance	80,000	80,351	(351)
Office supplies	8,935	6,030	2,905
Utilities, communications and telemetry	341,321	443,222	(101,901)
Chemicals and lab supplies	143,753	158,978	(15,225)
Laboratory testing	64,306	57,286	7,020
Small tools and rental	9,284	23,925	(14,641)
Inflow and infiltration	26,000	-0-	26,000
Sludge removal	62,080	84,522	(22,442)
Depreciation	-0-	803,877	(803,877)
Interest	160,955	126,721	34,234
Amortization Land Lease	20,250	20,250	-0-
Miscellaneous	-0-	34	(34)
Total Expenses	2,615,112	3,673,872	(1,058,760)
Operating Income (Loss)	(184,799)	(1,009,177)	824,378

(Continued)

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual
Proprietary Fund

For the Year Ended June 30, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Budget Variance (Over) Under</u>
Operating Income (Loss)	\$ (184,799)	(1,009,177)	824,378
General Revenues			
Property tax	127,500	420,961	(293,461)
Grants	-0-	49,073	(49,073)
Interest	-0-	1,370	(1,370)
Other	<u>32,416</u>	<u>36,685</u>	<u>(4,269)</u>
Total General Revenues	159,916	508,089	(348,173)
Contributed Capital	<u>-0-</u>	<u>9,855</u>	<u>(9,855)</u>
Increase (Decrease) in Fund Balance	\$ <u>(24,883)</u>	(491,233)	<u>466,350</u>
Fund Balance – Beginning of Year		<u>14,094,025</u>	
Fund Balance – End of Year		\$ <u><u>13,602,792</u></u>	

See the accompanying notes to the financial statements

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

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FORREST M. GIBSON, ADMIN.

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

Board of Directors
Donner Summit Public Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Donner Summit Public Utility District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

Gibson + Company, Inc.
Certified Public Accountant

December 27, 2019
Sacramento, California

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2019

<u>Reference Number</u>	<u>Summary of Finding</u>	<u>Status</u>
2018-001	We recommend that the District implement a review step after the loan transactions have been posted to verify that these transactions are properly classified.	Implemented