

Agenda Item 8A



STAFF REPORT

TO: Board of Directors

PREPARED BY: Steven Palmer, PE, CSDM, General Manager *SP*

SUBJECT: Financial Statements for FY2024-2025 with Independent Auditors Report

RECOMMENDATION

Receive Financial Statements for FY2024-2025 with Independent Auditors Report from Hillberg & Company Certified Public Accountants. The Board is requested to review the report and take minute action to accept the Financial Statements and Independent Auditors Report.

BACKGROUND

The independent auditor, Hillberg & Company Certified Public Accountants (Hillberg), conducted an audit of the District's financial reporting and processes for Fiscal Year 2024-2025. Letter from Hillberg to the Board regarding Audit Findings and Internal Controls are included in Attachments 1 and 2, respectively. Fiscal Year 2024-2025 Financial Statements along with the Audit Report from Hillberg are included as Attachment 3.

DISCUSSION

A representative from Hillberg will present the auditors report to the Board.

The Audit Findings presented in the letter in Attachment 1 noted the following:

- All significant transactions have been recognized in the financial statements in the proper period.
- The financial statement disclosures are neutral, consistent, and clear.
- No significant difficulties in dealing with management in performing and completing the audit.
- There were no material misstatements, either individually or in the aggregate, to the financial statements taken as a whole.
- There were no "disagreements with management" during the course of the audit.
- The District's financial statements do not follow the guidance of Governmental Accounting Standards Board Statement No. 83 that requires the District to record an 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. Management believes recording this liability would not present an accurate representation of the District's financial position. 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. A note has been added to the report on the financial statements to document this deviation.

The Internal Controls Letter included in Attachment 2 states that no material weaknesses were identified.

ANALYSIS

The District Management's Discussion, and Analysis identified the following Financial Highlights:

- The District's assets exceeded liabilities at the close of the fiscal year by \$12,593,239. This represents the net position of the District as of June 30, 2025.
- The District's net position increased by \$47,172.
- Total revenues and contributed capital for the fiscal year were \$4,561,588, an increase of \$145,718 or 3.3% over the prior fiscal year. This increase is largely due to increased revenue from interest and recycled water sales.
- Total operating expenses for the fiscal year were \$4,514,416, including \$21,546 for the Sugar Bowl Sewer Project that was provided by the benefiting property owners. After removing the Sugar Bowl Sewer Project costs, operating expenses were \$4,492,870, an increase of \$49,070 or 1.1% over the prior fiscal year. Consistent with generally accepted accounting principles, operating expenses include depreciation and do not include principal payments or capital asset purchases.
- In addition to the operating expenses, the District also made principal payments on long term debt in the amount of \$663,345 during the fiscal year.
- In addition to the operating expenses, the District incurred \$2,230,237 in capital asset purchases during the current fiscal year.
- Cash and Cash Equivalents on June 30, 2025 totaled \$1,308,526.
- Cash and Cash Equivalents increased by \$1,210,911 during the fiscal year. This is mostly due to the purchase of capital assets including the Sugar Bowl Sewer Project.
- During the prior fiscal year (FY2023/2024), Cash and Cash Equivalents increased by \$1,191,620 due to contributions from property owners for the Sugar Bowl Sewer Project.

FISCAL IMPACT

There is no fiscal impact from this agenda item.

CEQA ASSESSMENT

This is not a CEQA Project

ATTACHMENTS

1. Letter to Board from Independent Auditor Regarding Audit Findings
2. Letter to Board from Independent Auditor Regarding Internal Controls
3. Financial Statements for FY2024-2025 with Independent Auditor's Report

Attachment 1

January 13, 2026

To the Board of Directors
DONNER SUMMIT PUBLIC UTILITY DISTRICT
53823 Sherritt Lane
Soda Springs, CA 95728

We have audited the financial statements of the business-type activities of Donner Summit Public Utility District for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 6, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Donner Summit Public Utility District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2025. We noted no transactions entered into by Donner Summit Public Utility District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. At June 30, 2025, there were no significant sensitive estimates affecting the financial statements. We evaluated the methods, assumptions, and data used to develop the less sensitive estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Management has determined that the District's financial statements will not follow the guidance of Governmental Accounting Standards Board Statement No. 83 that requires the District to record a 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. Management believes recording this liability would not present an accurate representation of the District's financial position. 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. Our report on your financial statements has been modified to include the following paragraph:

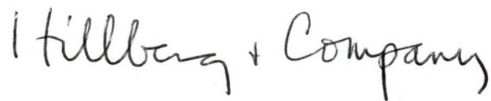
As explained in footnotes to the financial statements, management has omitted the Asset Retirement Obligation from the financial statements. Accounting principles generally accepted in the United States of America require the District to develop a reasonable estimate regarding its Asset Retirement Obligation 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.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the directors and management of Donner Summit Public Utility District and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate the opportunity to be of service to you and would like to express our appreciation to the individuals at the District who assisted in our services. We look forward to a continued relationship with the District.

A handwritten signature in cursive script that reads "Hillberg & Company".

Hillberg & Company
Certified Public Accountants

Attachment 2

To the Board Directors and
Steven Palmer, General Manager

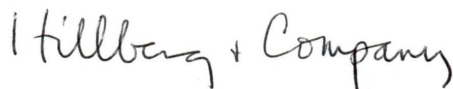
Donner Summit Public Utility District
53823 Sherritt Lane
Soda Springs, CA 95728

In planning and performing our audit of the financial statements of the business-type activities of Donner Summit Public Utility District as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Donner Summit Public Utility District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Donner Summit Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Donner Summit Public Utility 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

This communication is intended solely for the information and use of management, the board of directors, and others within Donner Summit Public Utility District, and is not intended to be, and should not be, used by anyone other than these specific parties.



Hillberg & Company
Certified Public Accountants

January 13, 2026
Sacramento, California

Attachment 3

**DONNER SUMMIT PUBLIC
UTILITY DISTRICT
Financial Statements
June 30, 2025
(With Independent Auditor's Report)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Donner Summit Public Utility District

Report on the Audit of the Financial Statements

Qualified Opinion

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, 2025, and the related notes to the financial statements, which collectively comprise Donner Summit Public Utility District's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Donner Summit Public Utility District, as of June 30, 2025, and the changes in financial position, and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Donner Summit Public Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to the Qualified Opinion

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.

Responsibilities of Management for the Financial Statements

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

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 Donner Summit Public Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Donner Summit Public Utility 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 Donner Summit Public Utility District's ability to continue as a going concern for a reasonable period of time.

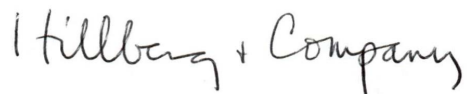
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-12 and 34-35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government 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 response 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 January 13, 2026, on our consideration of Donner Summit Public Utility 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 Donner Summit Public Utility 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 Donner Summit Public Utility District's internal control over financial reporting and compliance.



Hillberg & Company
Certified Public Accountants

Sacramento, California
January 13, 2026

Management's Discussion and Analysis

For the Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2025.

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 Statements 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 Statement of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities at the close of the fiscal year by \$12,593,239. This represents the net position of the District as of June 30, 2025.
- The District's net position increased by \$47,172.
- Total revenues and contributed capital for the fiscal year were \$4,561,588, an increase of \$145,718 or 3.3% over the prior fiscal year. This increase is largely due to increased revenue from interest and recycled water sales.
- Total operating expenses for the fiscal year were \$4,514,416, including \$21,546 for the Sugar Bowl Sewer Project that was provided by the benefitting property owners. After removing the Sugar Sewer Project costs, operating expenses were \$4,492,870, an increase of \$49,070 or 1.1% over the prior fiscal year. Consistent with generally accepted accounting principles, operating expenses include depreciation and do not include principal payments or capital asset purchases.
- In addition to the operating expenses, the District also made principal payments on long term debt in the amount of \$663,345 during the fiscal year.
- In addition to the operating expenses, the District incurred \$2,230,237 in capital asset purchases during the current fiscal year.
- Cash and Cash Equivalents on June 30, 2025 totaled \$1,308,526.
- Cash and Cash Equivalents decreased by \$1,210,911 during the fiscal year. This is mostly due to the purchase of capital assets including the Sugar Bowl Sewer Project.
- During the prior fiscal year (FY2023/2024), Cash and Cash Equivalents increased by \$1,191,620 due to contributions from property owners for the Sugar Bowl Sewer Project.

(Continued)

Management's Discussion and Analysis

For the Year Ended June 30, 2025

NET POSITION

The analysis below focuses on the Net Position and Changes in Net Position for June 30, 2024 and June 30, 2025. The analysis of Net Position provides a snapshot in time that shows assets, liabilities, and net assets as of June 30, 2025 and compares it to the same data from June 30, 2024. The analysis of Changes in Net Position compares the revenues and expenses from the same snapshots in time.

Net Position (In Thousands)

	Primary Government	
	Business-Type	
	Activities	
	June 30, 2025	June 30, 2024
Current and other assets	\$ 1,838	2,932
Capital and use assets	26,074	24,589
Total Assets	<u>27,912</u>	<u>27,521</u>
Long-term debt outstanding & leases	12,111	12,597
Other liabilities	3,208	2,378
Total Liabilities	<u>15,319</u>	<u>14,975</u>
Net Position		
Net investment in capital assets	13,186	11,302
Restricted for debt payment	767	765
Unrestricted	(1,360)	479
Total Net Position	<u>\$ 12,593</u>	<u>12,546</u>

Changes in Net Position (In Thousands)

Program revenue	\$ 3,962	3,670
General revenues		
Property tax	479	471
Grants	0	1
Interest and other	81	74
Contributed capital	39	199
Total revenues	<u>4,561</u>	<u>4,415</u>
Expenses	4,514	4,668
Increase (Decrease) in net position	<u>\$ 47</u>	<u>(253)</u>

(Continued)

Management’s Discussion and Analysis

For the Year Ended June 30, 2025

NET POSITION (CONTINUED)

The above analysis shows that the District’s net position increased by \$47,172 from June 30, 2024 to June 30, 2025. This data also shows that Total Revenues increased by \$146,000 and Expenses decreased by \$154,000.

REVENUES

The District receives revenue from two major sources, service fees and property taxes. Service fees are considered as operating revenue and for the purposes of the financial statements they are labeled Program Revenue. Property taxes are consolidated with other non-operating revenues such as interest income into the category of General Revenue. The table below compares Program Revenue and General Revenue for the year ended June 30, 2025 to the year ended June 30, 2024.

Revenue Summary and Comparison

	Business-Type Activities		Change (\$)	Change (%)
	June 30, 2025	June 30, 2024		
<i>Program Revenue</i>				
Service Fees	3,962,403	3,670,304	292,099	7.96
<i>Total Program Revenue</i>	<i>3,962,403</i>	<i>3,670,304</i>	<i>292,099</i>	<i>7.96</i>
<i>General Revenue</i>				
Property Tax	478,554	471,399	7,155	1.52
Grants	--	675	(675)	(100.00)
Interest	63,416	20,489	42,927	209.51
Other	18,479	53,839	(35,360)	(65.68)
<i>Total General Revenues</i>	<i>560,449</i>	<i>546,402</i>	<i>14,047</i>	<i>2.57</i>
Contributed Capital	38,736	199,164	(160,428)	(80.55)
<i>Total Revenues</i>	<i>4,561,588</i>	<i>4,415,870</i>	<i>145,718</i>	<i>3.30</i>

Program revenue increased by \$292,099, or 7.96%. This is due to the Board approved rate increases and increased recycled water sales revenue. General Revenues increased by 2.57% due to a marginal increase in property tax revenue, and a significant increase in interest revenue. Contributed capital decreased because the Sugar Bowl Sewer Project completed construction.

(Continued)

Management's Discussion and Analysis

For the Year Ended June 30, 2025

OPERATING EXPENSES**Expense Summary and Comparison**

	Business-Type Activities		Change	Change
	June 30, 2025	June 30, 2024	(\$)	(%)
Salaries	1,005,063	1,011,982	(6,919)	-0.68
Employee benefits	421,880	403,567	18,313	4.54
Board expense	80,218	74,535	5,683	7.62
Professional fees	160,364	234,915	(74,551)	-31.74
Equipment maintenance	109,738	107,120	2,618	2.44
Operating supplies	4,841	8,419	(3,578)	-42.50
Vehicle maintenance	24,133	45,168	(21,035)	-46.57
Facility maintenance	130,361	219,309	(88,948)	-40.56
Dues and subscriptions	15,031	14,591	440	3.02
Fees, permits, cert	93,561	63,140	30,421	48.18
Training	10,074	6,675	3,399	50.92
Travel	878	1,777	(899)	-50.59
Insurance	264,761	246,062	18,699	7.60
Office supplies	11,965	6,614	5,351	80.90
Utilities, communications	659,382	643,671	15,711	2.44
Chemicals and lab supplies	189,577	209,247	(19,670)	-9.40
Laboratory testing	53,956	42,881	11,075	25.83
Small tools and rental	4,555	4,455	100	2.24
Inflow and infiltration	29,300	33,014	(3,714)	-11.25
Sludge removal	54,299	35,790	18,509	51.72
Depreciation	944,950	898,053	46,897	5.22
Interest	164,885	119,032	45,853	38.52
Lease expense	59,098	13,783	45,315	328.77
Sugar Bowl Sewer Project	21,546	224,747	(203,201)	-90.41
<i>Total Expenses</i>	<i>4,514,416</i>	<i>4,668,547</i>	<i>(154,131)</i>	<i>-3.30</i>

(Continued)

Management's Discussion and Analysis

For the Year Ended June 30, 2025

OPERATING EXPENSES (CONTINUED)

Operating expenses decreased by \$154,131, or 3.30%. This decrease is attributable to completing the Sugar Bowl Sewer Project. Excluding the Sugar Bowl Sewer Project expenses, operating expenses increased by 1.1%. The District experienced notable increases in employee benefits (eg. medical), fees and permits, property insurance, and sludge removal.

CAPITAL

As noted in Note 3 to the Financial Statements the District acquired \$2,230,237 of capital assets this fiscal year.

Capital improvements this fiscal year include the Sugar Bowl Sewer Project, Lake Angela Dam Tendon Tensioning Project, Big Bend Water System Rehabilitation Project Phase 1 evaluation, wastewater treatment plant inlet pipe support replacement, vehicle purchases, and replacement equipment for the water treatment plant and wastewater treatment plant.

LONG TERM DEBT

As detailed in Note 5 to the Financial Statements, the District's long term debt is \$12,390,123. The three largest borrowings are \$11,438,751 for the wastewater treatment plant upgrade, \$409,214 for the Lake Angela Water Treatment Plant upgrade, and a total of \$445,543 for the Big Bend Water System upgrade. The final payments on these loans are due in 2041, 2048, and 2061, respectively.

The District will continue to make significant loan payments in the years ahead. Note 5 to the Financial Statements shows the annual requirements to amortize the direct borrowings through 2061. For the fiscal year ending June 30, 2026, the annual requirement will be \$800,519.

NEXT YEAR BUDGET AND RATES

The Board of Directors adopted the District's Fiscal Year 2025/26 budget on June 17, 2025. The District adopted new water and sewer rates on June 15, 2021 that began with the July 2021 customer billing. The adopted rates included increases each year until July 1, 2025. These new rates were calculated so that the District could begin to build reserve funds, with the goal of having 6 months of operating expenses in reserve by June 30, 2026. Additionally, the Board adopted water rates for the Big Bend Water System in 2018, and those rates increase on January 1 each year with the last increase occurring on January 1, 2024.

Significant concerns for future fiscal years are the impact of cost inflation, having the financial resources to properly maintain and replace infrastructure, and establishing sufficient reserve funds. While the Fiscal Year 2025/26 Budget and the District's utility rate structure include allowances for cost inflation, the consumer price index has increased sharply during the last five years. For example, the consumer price index increased by more than 5.2% in 2022 and 5.3% in 2023. Inflation decreased to an annual rate of 2.4% in 2024 before increasing to 2.7% during 2025. Economists predict that inflation will remain in the range of 2.7% to 3.1% during 2026.

(Continued)

Management's Discussion and Analysis

For the Year Ended June 30, 2025

To enhance the District's financial position, ensure good stewardship of water and wastewater facilities, address concerns about cost inflation, provide for infrastructure maintenance, and establish adequate reserve funds, a comprehensive rate evaluation and update commenced during Fiscal Year 2026. The findings of this rate evaluation will be presented to the Board for possible adoption of new rates in the Spring of 2026.

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, 2025 and the District's financial condition as of June 30, 2025. 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, Steven Palmer, at P.O. Box 610, Soda Springs, California 95728 or call 530-426-3456.

Statement of Net Position

June 30, 2025

Assets

	<u>Primary Government Business-Type Activities</u>
Current Assets	
Cash	\$ 1,304,820
Investments	3,706
Total Cash and Cash Equivalents	<u>1,308,526</u>
Accounts receivable	465,578
Allowance for doubtful accounts	(1,000)
Net accounts receivable	<u>464,578</u>
Other receivable	38,965
Prepaid expenses	25,721
Total Current Assets	<u>1,837,790</u>
Noncurrent Assets	
Capital assets, net	25,575,999
Right-of-use asset, net	498,387
Total Noncurrent Assets	<u>26,074,386</u>
 Total Assets	 <u>\$ 27,912,176</u>

See the accompanying notes to the financial statements

Statement of Net Position

June 30, 2025

Liabilities and Net Position

	<u>Primary Government Business-Type Activities</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 180,690
Accrued expenses	248,171
Interest payable	47,613
Customer deposits	1,963,565
Deferred revenue	15,405
Current portion of lease liability	50,118
Current portion of long-term debt	702,033
Total Current Liabilities	<u>3,207,595</u>
Noncurrent Liabilities	
Lease liability	496,447
Long-term debt	<u>11,614,895</u>
Total Noncurrent Liabilities	<u>12,111,342</u>
Total Liabilities	15,318,937
Net Position	
Net investment in capital assets	13,185,875
Restricted:	
Restricted for debt payment	767,333
Unrestricted	<u>(1,359,969)</u>
Total Net Position	<u>12,593,239</u>
Total Liabilities and Net Position	<u>\$ 27,912,176</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

February 24, 2026

Agenda Item: 8A

Attachment 3

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government Business-Type Activities</u>
Program Revenue			
Service fees	\$ 790,383	3,172,020	3,962,403
Total Program Revenue	790,383	3,172,020	3,962,403
Expenses			
Salaries	226,963	778,100	1,005,063
Employee benefits	95,889	325,991	421,880
Board expense	19,252	60,966	80,218
Professional fees	25,848	134,516	160,364
Equipment maintenance and repair	17,279	92,459	109,738
Operating supplies	1,172	3,669	4,841
Vehicle maintenance and repair	1,205	22,928	24,133
Facility maintenance and repair	46,384	83,977	130,361
Dues and subscriptions	3,634	11,397	15,031
Fees, permits and certifications	19,058	74,503	93,561
Training and education	1,362	8,712	10,074
Travel	196	682	878
Insurance	58,502	206,259	264,761
Office supplies and miscellaneous	2,620	9,345	11,965
Utilities, communications and telemetry	87,668	571,714	659,382
Chemicals and lab supplies	40,829	148,748	189,577
Laboratory testing	6,782	47,174	53,956
Small tools and rental	1,019	3,536	4,555
Inflow and infiltration	0	29,300	29,300
Sludge removal	0	54,299	54,299
Depreciation	153,337	791,613	944,950
Interest	15,047	149,838	164,885
Sugar Bowl project	0	21,546	21,546
Lease expense	21,200	37,898	59,098
Total Expenses	845,246	3,669,170	4,514,416
Net Program Revenue (Expense)	(54,863)	(497,150)	(552,013)

(Continued)

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

February 24, 2026

Agenda Item: 8A

Attachment 3

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government Business-Type Activities</u>
Net Program Revenue (Expense)	\$ (54,863)	(497,150)	(552,013)
General Revenues			
Property tax (including CFDs)	41,150	437,404	478,554
Interest	15,220	48,196	63,416
Other	<u>5,627</u>	<u>12,852</u>	<u>18,479</u>
Total General Revenues	61,997	498,452	560,449
Contributed Capital – Waste Water Treatment	0	17,220	17,220
Contributed Capital – Sugar Bowl Project	<u>0</u>	<u>21,516</u>	<u>21,516</u>
Increase in Net Position	<u>\$ 7,134</u>	<u>40,038</u>	47,172
Net Position – Beginning of Year			<u>12,546,067</u>
Net Position – End of Year			<u>\$ 12,593,239</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

February 24, 2026

Agenda Item: 8A

Attachment 3

Statement of Cash Flows

For the Year Ended June 30, 2025

	<u>Primary Government Business-Type Activities</u>
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 4,615,702
Cash payments to suppliers for goods and services	(2,379,138)
Cash payments to employees for services	(987,970)
Other receipts	18,479
Net Cash Provided by Operating Activities	<u>1,267,073</u>
Cash Flows From Non-Capital Financing Activities:	
Receipt of property taxes	<u>478,554</u>
Net Cash Provided By Non-Capital Financing Activities	478,554
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(2,155,855)
Capital contribution	20,679
Payments to lessors	(58,857)
Repayment of long-term debt	(663,345)
Interest paid on long-term debt & leases	<u>(162,576)</u>
Net Cash Used By Capital and Related Financing Activities	(3,019,954)
Cash Flows From Investing Activities:	
Interest received on cash and investments	<u>63,416</u>
Net Cash Provided By Investing Activities	<u>63,416</u>
Net Decrease In Cash	(1,210,911)
Cash and Cash Equivalents – Beginning of Year	<u>2,519,437</u>
Cash and Cash Equivalents – End of Year	<u>\$ 1,308,526</u>

(Continued)

See the accompanying notes to the financial statements

Statement of Cash Flows

For the Year Ended June 30, 2025

	<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	\$ 47,172
Adjustments to reconcile increase in net	
position to net cash provided by	
operating activities:	
Depreciation	944,950
Amortization	54,739
Non-operating revenue	(559,190)
Non-operating expenses	164,885
(Increase) decrease in:	
Accounts receivable, net	(149,252)
Other receivable	45,114
Prepaid expenses	(15,992)
Increase (decrease) in:	
Accounts payable	(39,349)
Accrued expenses	16,559
Customer deposits	1,734,232
Deferred revenue	(976,795)
	<hr/>
Total adjustments	1,219,901
	<hr/>
Net Cash Provided By	
Operating Activities	\$ <u><u>1,267,073</u></u>

See the accompanying notes to the financial statements

Notes to the Financial Statements

June 30, 2025

(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 when earned (and measurable), and expenses when liabilities are 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)

Notes to the Financial Statements

June 30, 2025

(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)

Notes to the Financial Statements

June 30, 2025

(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

Leases

Contractual lease obligations longer than twelve months are recognized as leases in accordance with GASB No. 87. Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on similarly secured borrowings available to the District. Lease assets are recognized based on the initial present value of the fixed lease payments.

When the District has the option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that we will exercise the option, we consider the option in determining the classification and measurement of the lease.

Lease assets are amortized within operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or, in the instance where title does not transfer at the end of the lease term, the lease term.

(Continued)

Notes to the Financial Statements

June 30, 2025

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 earned. 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.

Compensated Absences

The District provides paid vacation and sick time to employees. Vacation time accrues annually based on the employee's years of services up to a maximum ranging from 120 hours to 240 hours. At separation of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. Sick time accrues to a cumulative maximum of 192 hours per employee. At separation of employment for any reason, the District shall compensate the employee for his/her accumulated sick time at his/her straight time rate of pay at the time of termination. This accrual represents the estimated probable future payments attributable to employees' service for all periods prior to June 30, 2025 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, 2025, 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 January 13, 2026, which is the date the financial statements were available to be issued.

Notes to the Financial Statements

June 30, 2025

(2) CASH AND INVESTMENTS

A summary of cash and investments held by the District at June 30, 2025 is as follows:

Cash on hand	\$ 300
Cash on deposit at banks	1,304,520
Investments	<u>3,706</u>
	<u>\$ 1,308,526</u>

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>3,706</u>

Notes to the Financial Statements

June 30, 2025

(3) CAPITAL ASSETS

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

	Balance June 30, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Land	\$ 72,623	0	0	0	72,623
Sewage collection, treatment and disposal facilities	31,175,800	1,884,952	0	245,413	33,306,165
Water treatment and distribution facilities	5,958,577	150,753	0	0	6,109,330
Water equipment	474,879	0	0	0	474,879
Water and sewage equipment	353,949	19,016	0	0	372,965
Vehicles	358,616	53,399	0	0	412,015
Office furniture and equipment	38,728	0	0	0	38,728
Construction in process	245,413	122,117	0	(245,413)	122,117
Total Capital Assets	<u>38,678,585</u>	<u>2,230,237</u>	<u>0</u>	<u>0</u>	<u>40,908,822</u>
Accumulated Depreciation	<u>14,387,873</u>	<u>944,950</u>	<u>0</u>	<u>0</u>	<u>15,332,823</u>
Net Book Value	<u>\$ 24,290,712</u>				<u>25,575,999</u>

(4) LEASES

The District leases land for its operations under a long term agreement that expires September 15, 2038. The District has the option to extend the lease for an additional 10 year term. Annual rent payments are due under the agreement in the amount of \$22,430.

The District leases equipment for its operations under a long term agreement that expires April 15, 2030. Annual rent payments are due under the agreement in the amount of \$44,402.

The Right-of-Use Asset (Net) consists of:

Right-of-Use Asset	\$ 747,995
Accumulated Amortization	<u>(249,608)</u>
Right-of-Use Asset (Net)	<u>\$ 498,387</u>

Notes to the Financial Statements

June 30, 2025

(4) LEASES (CONTINUED)

As of June 30, 2025 the maturity of these lease payments are as follows:

<u>For the Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 50,118	14,533
2027	51,030	13,621
2028	52,451	12,200
2029	53,912	10,739
2030	55,413	9,239
2031 through 2035	65,291	35,959
2036 through 2040	74,903	26,347
2041 through 2045	85,930	15,320
2046 through 2048	<u>57,517</u>	<u>3,233</u>
Total Lease Liability and Interest	546,565	<u><u>141,192</u></u>
Less Current Portion of Lease Liability	<u>50,118</u>	
Lease Liability Net of Current Portion	\$ <u><u>496,447</u></u>	

The components of these leases included in the Statement of Activities and Changes in Net Position are as follows:

Amortization, Right-of-Use Asset	\$ 54,739
Interest	14,674

The discount rate regarding these lease calculations is 2.75%

Notes to the Financial Statements

June 30, 2025

(5) LONG-TERM DEBT

Long-term debt as of June 30, 2025, 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.	\$ 11,438,751
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.	409,214
United States of America Department of Agriculture loan; collateralized by net revenues of the District; interest at 2.75%; interest and principal payable in annual installments of \$14,156; final payment due February 2061.	315,870
United States of America Department of Agriculture loan; collateralized by net revenues of the District; interest at 2.75% interest and principal payable in annual installments of \$5,814; final payment due February 2061.	129,673
Pacific Gas and Electric Company loan; uncollateralized; interest of 0%; principal payable in monthly installments of \$697; final payment due October 2028.	27,896
Pacific Gas and Electric Company loan; uncollateralized; interest at 0%; principal payable in monthly installments of \$61; final payment due May 2030.	3,599

(Continued)

Notes to the Financial Statements

June 30, 2025

(5) LONG-TERM DEBT (CONTINUED)

	<u>Direct Borrowings</u>
LG Sonic loan; collateralized by equipment; imputed interest of 2.75%; principal and interest payable in 2 annual installments ranging from \$43,105 to \$22,484; final payment due July 2027.	\$ <u>65,120</u>
Total Long-Term Debt	12,390,123
Less Debt Issuance Costs	(73,195)
Less Current Portion of Long-Term Debt	<u>(702,033)</u>
Long-Term Debt Net of Current Portion	<u>\$ 11,614,895</u>

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

Long-Term Debt - Beginning of Year	\$ 12,988,348
New Long-Term Debt incurred	65,120
Repayment of Long-Term Debt	<u>(663,345)</u>
Long-Term Debt - End of Year	<u>\$ 12,390,123</u>

Notes to the Financial Statements

June 30, 2025

(5) LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize District long-term debt (direct borrowings) as of June 30, 2025 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 702,185	98,334	800,519
2027	695,245	93,688	788,933
2028	678,780	88,074	766,854
2029	677,914	83,017	760,931
2030	680,030	77,928	757,958
2031 through 2035	3,474,947	311,794	3,786,741
2036 through 2040	3,608,779	177,963	3,786,742
2041 through 2045	1,574,638	54,530	1,629,168
2046 through 2050	124,815	29,597	154,412
2051 through 2055	80,459	19,391	99,850
2056 through 2060	92,331	7,695	100,026
	<u>\$ 12,390,123</u>	<u>1,042,011</u>	<u>13,432,134</u>

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

(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, 2025 was \$4,231,403.

The proceeds of taxes limit adopted by the District for the year ended June 30, 2026 is \$4,514,061.

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.

Notes to the Financial Statements

June 30, 2025

(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.

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 \$23,500 (\$31,000 if employee will have obtained age 50 by the end of the calendar year), whichever is less. Additionally, if an employee participates in the plan then the District contributes an additional amount equal to 2% of their annual salary. This Plan is fully funded with Nationwide Retirement Solutions.

The required contribution for the year ended June 30, 2025 was \$82,128, with \$53,295 contributed to the Money Purchase Pension Plan and \$28,833 contributed to the 457 Deferred Compensation Plan. This amount was paid after June 30, 2025 and is included in Accrued Expenses.

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.

Notes to the Financial Statements

June 30, 2025

(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 employee 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 employee 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.

(9) RESTRICTED NET POSITION - DEBT PAYMENT

A portion of the net position balance has been restricted in accordance with provisions of the debt due to various government agencies. The loan provisions require the District to maintain this amount in a reserve account.

Notes to the Financial Statements

June 30, 2025

(10) 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.

(11) DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Statement No. 83 of the Governmental Accounting Standards Board 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 as if recognized, the Asset Retirement Obligation would materially increase liabilities and deferred outflows. 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.

(12) CASH FLOW INFORMATION

During the fiscal year, the District acquired equipment with a fair value of \$319,515 by entering into long-term financing agreements. These non-cash transaction impacted Capital Financing activities.

Fund Financial Statements

Balance Sheet

June 30, 2025

Assets

	<u>Primary Government</u>
	<u>Proprietary</u>
	<u>Fund</u>
Current Assets	
Cash	\$ 1,304,820
Investments	3,706
Total Cash and Cash Equivalents	<u>1,308,526</u>
Accounts receivable	465,578
Allowance for doubtful accounts	(1,000)
Net accounts receivable	<u>464,578</u>
Other receivable	38,965
Prepaid expenses	<u>25,721</u>
Total Current Assets	1,837,790
Noncurrent Assets	
Capital assets, net	25,575,999
Right-of-Use asset, net	<u>498,387</u>
Total Noncurrent Assets	<u>26,074,386</u>
Total Assets	\$ <u><u>27,912,176</u></u>

See the accompanying notes to the financial statements

Fund Financial Statements

Balance Sheet

June 30, 2025

Liabilities and Fund Balances

	<u>Primary Government</u>
	Proprietary
	<u>Fund</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 180,690
Accrued expenses	248,171
Interest payable	47,613
Customer deposits	1,963,565
Deferred revenue	15,405
Current portion of lease liability	50,118
Current portion of long-term debt	702,033
Total Current Liabilities	<u>3,207,595</u>
Noncurrent Liabilities	
Lease liability	496,447
Long-term debt	<u>11,614,895</u>
Total Noncurrent Liabilities	<u>12,111,342</u>
Total Liabilities	15,318,937
Fund Balances	
Net investment in capital assets	13,185,875
Restricted:	
Restricted for debt payment	767,333
Unrestricted	<u>(1,359,969)</u>
Total Fund Balances	<u>12,593,239</u>
Total Liabilities and Fund Balances	<u>\$ 27,912,176</u>

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, 2025

	Original Budget	Final Budget	Actual	Budget Variance (Over) Under
Program Revenue				
Service fees	\$ 3,763,713	3,863,313	3,962,403	(99,090)
Total Program Revenue	3,763,713	3,863,313	3,962,403	(99,090)
Expenses				
Salaries	984,189	1,048,619	1,005,063	43,556
Employee benefits	402,884	443,754	421,880	21,874
Board expense	73,555	73,555	80,218	(6,663)
Professional fees	234,100	234,100	160,364	73,736
Equipment maintenance and repair	99,070	99,070	109,738	(10,668)
Operating supplies	5,380	5,380	4,841	539
Vehicle maintenance and repair	25,280	25,280	24,133	1,147
Facility maintenance and repair	174,550	224,400	130,361	94,039
Dues and subscriptions	15,880	15,880	15,031	849
Fees, permits and certifications	93,920	93,920	93,561	359
Training and education	7,420	7,420	10,074	(2,654)
Travel	0	0	878	(878)
Insurance	275,000	275,000	264,761	10,239
Office supplies and miscellaneous	11,234	11,234	11,965	(731)
Utilities, communications and telemetry	505,330	505,330	659,382	(154,052)
Chemicals and lab supplies	261,360	261,360	189,577	71,783
Laboratory testing	39,560	39,560	53,956	(14,396)
Small tools and rental	3,790	3,790	4,555	(765)
Inflow and infiltration	33,100	33,100	29,300	3,800
Sludge removal	27,670	27,670	54,299	(26,629)
Depreciation	0	0	944,950	(944,950)
Interest	103,104	103,104	164,885	(61,781)
Sugar Bowl project	0	0	21,546	(21,546)
Lease expense	22,452	22,452	59,098	(36,646)
Total Expenses	3,398,828	3,553,978	4,514,416	(960,438)
Operating Income (Loss)	364,885	309,335	(552,013)	861,348

(Continued)

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

February 24, 2026

Agenda Item: 8A

Attachment 3

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

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Budget Variance (Over) Under
Operating Income (Loss)	\$ 364,885	309,335	(552,013)	861,348
General Revenues				
Property tax (including CFDs)	427,959	427,959	478,554	(50,595)
Grants	54,000	54,000	0	54,000
Interest	20,000	20,000	63,416	(43,416)
Gain/Loss on Fixed Asset Disposal	3,000	23,000	0	23,000
Other	9,000	9,000	18,479	(9,479)
Total General Revenues	513,959	533,959	560,449	(26,490)
Contributed Capital – Waste Water Treatment	0	0	17,220	(17,220)
Contributed Capital – Sugar Bowl Project	0	0	21,516	(21,516)
Increase (Decrease) in Fund Balance	<u>\$ 878,844</u>	<u>843,294</u>	47,172	<u>796,122</u>
Fund Balance – Beginning of Year			<u>12,546,067</u>	
Fund Balance – End of Year			<u>\$ 12,593,239</u>	

See the accompanying notes to the financial statements

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, 2025, and the related notes to the financial statements, which collectively comprise Donner Summit Public Utility District's basic financial statements, and have issued our report thereon dated January 13, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Donner Summit Public Utility District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Donner Summit Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Donner Summit Public Utility 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.

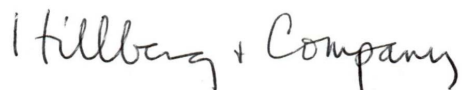
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Hillberg & Company
Certified Public Accountants

January 13, 2026
Sacramento, California