

**DONNER SUMMIT PUBLIC UTILITY DISTRICT**

**Financial Statements**

**June 30, 2016**

**(With Independent Auditor's Report Thereon)**

DONNER SUMMIT PUBLIC UTILITY DISTRICT

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June 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our 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 the 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.

### **Opinion**

In our opinion, 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, 2016, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards, Office of Management and Budget Circular A-133, Audits of States, Local Governments and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

GIBSON & COMPANY, INC.  
CERTIFIED PUBLIC ACCOUNTANT

*Gibson + Company, Inc.*  
*Certified Public Accountant*

November 21, 2016  
Sacramento, California

# DONNER SUMMIT PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2016

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, 2016.

### **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. In addition, the Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 is included, as well as the Notes to Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2016

**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, 2016	June 30, 2015
Current and other assets	\$ 4,391	4,247
Capital assets	26,118	26,686
Total Assets	30,509	30,933
Deferred Outflows of Resources	113	118
Long-term debt outstanding	16,688	15,825
Other liabilities	1,234	2,163
Total Liabilities	17,922	17,988
Net Position		
Net investment in capital assets	8,612	10,828
Restricted for debt payment	857	821
Unrestricted	3,231	1,414
Total Net Position	\$ 12,700	13,063

Changes in Net Position (In Thousands)

Program revenue	\$ 2,586	2,452
General revenues		
Property tax	425	411
Grants	(37)	76
Gain (loss) on disposal of capital assets	1	-0-
Interest and other	20	36
Contributed capital	-0-	874
Total revenues	2,995	3,849
Expenses	3,358	2,863
Increase (Decrease) in net position	\$ (363)	986

(Continued)

# DONNER SUMMIT PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2016

### FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2015/16

- The District's assets exceeded liabilities at the close of the fiscal year by \$12,700,433. This represents the net position (value) of the District as of June 30, 2016.
- 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 \$755,289, and total expenses exceeded revenues by \$362,400, indicating that the District exceeded expectations by approximately \$392,889 for the current fiscal year. The District anticipates it will continue to make significant investments in facilities in the coming years, followed by several years of significant loan payments. Accordingly, management anticipates that it will be unable to fund future reserves in the foreseeable future.
- The District received \$1,092,785 under loan programs from the State of California Water Resource Control Board.
- The District paid off long-term debt and capital leases of \$100,967 during the current fiscal year.
- The District's utility service revenues increased from the prior year by approximately \$134,051. This was higher than budgeted revenue as the cost sharing agreement with Sierra Lakes County Water District increases revenue as costs increase.
- The District's utility service expenses increased by \$495,153 from June 30, 2015 to June 30, 2016. Much of this increase is attributable to the District's new waste water treatment facility being put into service, resulting in higher depreciation, operating costs, and interest on loan used to construct the facility. In addition, the District has increased costs associated with its water treatment operations.
- The District's professional fees exceeded budget by 95%. During the year, the District was exploring opportunities to decrease costs related to borrowing and used professionals to do so.
- Several of the District's operating and repair expenses exceeded budget in several categories. This expense item is effected by the waste water treatment facility replacement and the challenges of implementation
- Expenses for inflow and infiltration were well below budget. Environment conditions and low system flows prevented the District from performing work in this area.

(Continued)



## DONNER SUMMIT PUBLIC UTILITY DISTRICT

### Management's Discussion and Analysis

For the Year Ended June 30, 2016

#### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014/15 (Continued)**

- Interest expense significantly exceeded the amount budgeted. This was the result of the District budgeting based on scheduled payments as opposed to the actual expense that includes accrued interest not yet paid.
- The District does not budget for depreciation; accordingly, there is a variance for this item.
- The District had a downward adjustment in grant revenue of \$36,795 during the fiscal year.
- The District purchased \$186,986 of capital improvements during the current fiscal year.
- The District is currently in the planning stage of significant improvements to the water treatment facilities.

#### **NEXT YEAR BUDGET AND RATES**

The Board of Directors adopted the District's 2016/17 budget on June 21, 2016. The District's rates were reviewed by the Board of Directors and may be adjusted during 2016/17 to enable the District to continue to comply with enhanced waste discharge requirements mandated by the California Regional Water Quality Control Board.

#### **FUTURE PROJECTS**

The District is in the planning stages for improvements to its water treatment plant. No cost estimates are currently available for the project, but the District expects significant costs related to the project.

#### **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, 2015 and the District's financial condition as of June 30, 2016. 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, 2016

Assets

	Primary Government Business-Type Activities
Current Assets	
Cash (Note 2)	\$ 4,191,250
Investments (Note 2)	3,144
Total Cash and Cash Equivalents	4,194,394
Accounts receivable	76,110
Allowance for doubtful accounts	(1,000)
Net accounts receivable	75,110
Other receivable	19,323
Prepaid expenses	101,863
Total Current Assets	4,390,690
Noncurrent Assets	
Capital assets, net (Note 3)	26,118,050
Total Noncurrent Assets	26,118,050
Total Assets	\$ 30,508,740
Deferred Outflows of Resources	
Advance community finance district costs	\$ 113,120

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Net Position

June 30, 2016

Liabilities and Net Position

	<u>Primary Government Business-Type Activities</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 78,382
Accrued expenses	152,370
Interest payable	185,082
Current portion of long-term debt (Note 4)	<u>817,844</u>
Total Current Liabilities	1,233,678
Noncurrent Liabilities	
Long-term debt (Note 4)	<u>16,687,749</u>
Total Noncurrent Liabilities	<u>16,687,749</u>
Total Liabilities	17,921,427
Net Position	
Net investment in capital assets	8,612,457
Restricted:	
Restricted for debt payment (Note 9)	856,675
Unrestricted	<u>3,231,301</u>
Total Net Position	<u>12,700,433</u>
Total Liabilities and Net Position	<u>\$ 30,621,860</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2016

			Primary Government
	Water	Sewer	Business-Type Activities
Program Revenue			
Service fees	\$ 377,730	2,208,373	2,586,103
Total Program Revenue	377,730	2,208,373	2,586,103
Expenses			
Salaries	183,065	617,140	800,205
Employee benefits	59,886	204,725	264,611
Board expense	5,531	17,516	23,047
Professional fees	31,721	172,277	203,998
Equipment maintenance and repair	11,645	79,053	90,698
Operating supplies	11,438	15,315	26,753
Vehicle maintenance and repair	3,397	17,618	21,015
Facility maintenance and repair	102,097	47,617	149,714
Dues and subscriptions	1,758	5,986	7,744
Fees, permits and certifications	12,117	21,223	33,340
Training and education	131	1,407	1,538
Travel	176	608	784
Insurance	11,329	44,009	55,338
Office supplies	2,338	8,392	10,730
Utilities, communications and telemetry	33,535	284,852	318,387
Chemicals and lab supplies	23,628	124,962	148,590
Laboratory testing	1,130	29,667	30,797
Small tools and rental	2,350	10,233	12,583
Sludge removal	-0-	15,483	15,483
Depreciation	65,136	690,153	755,289
Interest	1,518	365,577	367,095
Land lease	-0-	20,250	20,250
Total Expenses	563,926	2,794,063	3,357,989
Net Program Revenue (Expense)	(186,196)	(585,690)	(771,886)

(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, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government</u>
			<u>Business-Type Activities</u>
Net Program Revenue (Expense)	\$ (186,196)	(585,690)	(771,886)
General Revenues			
Property tax	29,072	395,741	424,813
Grants	(36,795)	-0-	(36,795)
Interest	233	740	973
Gain on disposal of capital assets	162	514	676
Other	<u>4,928</u>	<u>14,891</u>	<u>19,819</u>
Total General Revenues	<u>(2,400)</u>	<u>411,886</u>	<u>409,486</u>
Increase (Decrease) in Net Position	<u>\$ (188,596)</u>	<u>(173,804)</u>	(362,400)
Net Position – Beginning of Year			<u>13,062,833</u>
Net Position – End of Year			<u>\$ 12,700,433</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2016

	Primary Government Business-Type Activities
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 2,561,889
Cash payments to suppliers for goods and services	(1,460,309)
Cash payments to employees for services	(817,392)
Other receipts	19,819
Net Cash Provided by Operating Activities	304,007
Cash Flows From Non-Capital Financing Activities:	
Receipt of property taxes	435,590
Net Cash Provided By Non-Capital Financing Activities	435,590
Cash Flows From Capital and Related Financing Activities:	
Proceeds from long-term debt	1,536,406
Grants received	21,529
Repayment of long-term debt	(100,967)
Interest paid on long-term debt	(837,898)
Net Cash Provided By Capital and Related Financing Activities	619,070
Cash Flows From Investing Activities:	
Purchase of capital assets	(1,133,769)
Proceeds from disposal of capital assets	676
Interest received on cash and investments	973
Net Cash Used By Investing Activities	(1,132,120)
Net Increase In Cash	226,547
Cash and Cash Equivalents - Beginning of Year	3,967,847
Cash and Cash Equivalents - End of Year	\$ 4,194,394

(Continued)

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2016

	Primary Government Business-Type Activities
Reconciliation of Increase in Net Position to Net Cash Provided by operating activities:	
Increase (Decrease) in net position	\$ (362,400)
Adjustments to reconcile increase in net position to net cash provided by operating activities:	
Depreciation	755,289
Gain on disposal of capital assets	(676)
Non-operating revenue	(388,991)
Non-operating expenses	367,095
(Increase) decrease in:	
Accounts receivable, net	38,412
Other receivable	(14,720)
Prepaid expenses	(9,941)
Increase (decrease) in:	
Accounts payable	(11,987)
Accrued expenses	(5,448)
Unearned income collected	(62,626)
Total adjustments	666,407
Net Cash Provided By Operating Activities	\$ 304,007

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2016

(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, 2016

(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, 2016

(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 market 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. 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, 2016

(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, 2016 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, 2016, 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 November 21, 2016, 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, 2016 is as follows:

Cash on hand	\$	300
Cash on deposit at banks		4,190,950
Investments		3,144
	\$	<u>4,194,394</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2016

(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>\$ 3,144</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2016

(3) CAPITAL ASSETS

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

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Land	\$ 72,623	-0-	-0-	-0-	72,623
Sewage collection, treatment and disposal facilities	35,896,203	-0-	-0-	-0-	35,896,203
Sewage equipment	2,099	-0-	-0-	-0-	2,099
Water treatment and distribution facilities	3,213,039	-0-	-0-	-0-	3,213,039
Water equipment	288,960	-0-	-0-	-0-	288,960
Water and sewage equipment	289,109	5,800	3,000	-0-	291,909
Vehicles	240,415	-0-	-0-	-0-	240,415
Office furniture and equipment	24,717	-0-	-0-	-0-	24,717
Construction in process	140,637	181,186	-0-	-0-	321,823
Total Capital Assets	<u>40,167,802</u>	<u>186,986</u>	<u>3,000</u>	<u>-0-</u>	<u>40,351,788</u>
Accumulated Depreciation	<u>13,481,449</u>	<u>755,289</u>	<u>3,000</u>	<u>-0-</u>	<u>14,233,738</u>
Net Book Value	<u>\$ 26,686,353</u>				<u>26,118,050</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2016

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

Long-term debt as of June 30, 2015, is summarized as follows:

State of California Water Resources Control Board loan; collateralized by net revenues of the District; interest at 2.2%; interest and principal payable in annual installments of \$802,557 based on June 30, 2015 balance (but will be \$837,194 if loan is fully funded) beginning 1 year after completion of construction, but not later than December 1, 2015; final payment due December 1, 2041.	\$ 16,825,637
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	24,207
Sierra Lakes County Water Districts loan; uncollateralized; interest at 2.75%; interest and principal payable in an initial payment due August 8, 2016 of \$327,875 and subsequent annual installments of \$70,885 on July 1; final payment due July 1, 2021.	<u>655,749</u>
Total Long-Term Debt	17,505,593
Less Current Portion of Long-Term Debt	<u>817,844</u>
Long-Term Debt Net of Current Portion	<u>\$ 16,687,749</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2016

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

Changes to the District's Long-Term Debt is as follows:

Long-Term Debt - Beginning of Year	\$ 15,844,239
New Long-Term Debt	1,748,535
Repayment of Long-Term Debt	<u>(87,181)</u>
 Long-Term Debt - End of Year	 <u>\$ 17,505,593</u>

The annual requirements to amortize District long-term debt as of June 30, 2016 is as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 817,844	370,164	1,188,008
2018	566,938	367,539	934,477
2019	578,665	355,811	934,476
2020	591,593	342,883	934,476
2021	597,899	329,661	927,560
2022 through 2026	2,903,151	1,451,110	4,354,261
2027 through 2031	3,159,944	1,123,433	4,283,377
2032 through 2036	3,523,172	760,205	4,283,377
2037 through 2041	3,928,153	355,224	4,283,377
2042	838,234	18,441	856,675
	<u>\$ 17,505,593</u>	<u>5,474,471</u>	<u>22,980,064</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, 2016

### (5) 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, 2016 was \$2,750,428.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2017 is \$2,901,977.

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.

### (6) 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, 2016 was \$38,827. This amount was paid after June 30, 2016 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 \$18,000 (\$24,000 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, 2016

### (7) 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, 2016

(8) 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, 2016, are as follows:

<u>Year Ending June 30</u>	
2017	\$ 3,881
2018	3,320
2019	3,320
2020	3,320
2021	<u>3,320</u>
	<u>\$ 17,161</u>

Total rent expense was \$3,064 for the year ended June 30, 2016.

(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 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.

(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.

D O N N E R S U M M I T P U B L I C U T I L I T Y D I S T R I C T

Fund Financial Statements

Balance Sheet

June 30, 2016

Assets

	<u>Primary Government Proprietary Fund</u>
Current Assets	
Cash	\$ 4,191,250
Investments	3,144
Total Cash and Cash Equivalents	<u>4,194,394</u>
Accounts receivable	76,110
Allowance for doubtful accounts	(1,000)
Net accounts receivable	<u>75,110</u>
Other receivable	19,323
Prepaid expenses	<u>101,863</u>
Total Current Assets	4,390,690
Noncurrent Assets	
Capital assets, net	<u>26,118,050</u>
Total Noncurrent Assets	<u>26,118,050</u>
Total Assets	<u>\$ 30,508,740</u>
Deferred Outflows of Resources	
Advance community finance district costs	<u>\$ 113,120</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2016

Liabilities and Fund Balances

		<u>Primary Government</u>
		<u>Proprietary</u>
		<u>Fund</u>
Liabilities		
Current Liabilities		
Accounts payable	\$	78,382
Accrued expenses		152,370
Interest payable		185,082
Current portion of long-term debt		817,844
Total Current Liabilities		<u>1,233,678</u>
Noncurrent Liabilities		
Long-term debt		<u>16,687,749</u>
Total Noncurrent Liabilities		<u>16,687,749</u>
Total Liabilities		17,921,427
Fund Balances		
Net investment in capital assets		8,612,457
Restricted:		
Restricted for debt payment		856,675
Unrestricted		3,231,301
Total Fund Balances		<u>12,700,433</u>
Total Liabilities and Fund Balances	\$	<u><u>30,621,860</u></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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Budget Variance (Over) Under</u>
Program Revenue			
Service fees	\$ 2,244,126	2,586,103	(341,977)
Total Program Revenue	2,244,126	2,586,103	(341,977)
Expenses			
Salaries	772,075	800,205	(28,130)
Employee benefits	296,191	264,611	31,580
Board expense	21,392	23,047	(1,655)
Professional fees	104,840	203,998	(99,158)
Equipment maintenance and repair	65,460	90,698	(25,238)
Operating supplies	7,140	26,753	(19,613)
Vehicle maintenance and repair	39,700	21,015	18,685
Facility maintenance and repair	40,800	149,714	(108,914)
Dues and subscriptions	6,416	7,744	(1,328)
Fees, permits and certifications	43,043	33,340	9,703
Training and education	6,698	1,538	5,160
Travel	-0-	784	(784)
Insurance	78,000	55,338	22,662
Office supplies	3,825	10,730	(6,905)
Utilities, communications and telemetry	347,934	318,387	29,547
Chemicals and lab supplies	134,956	148,590	(13,634)
Laboratory testing	64,080	30,797	33,283
Small tools and rental	8,625	12,583	(3,958)
Inflow and infiltration	25,000	-0-	25,000
Sludge removal	7,000	15,483	(8,483)
Depreciation	-0-	755,289	(755,289)
Interest	263,603	367,095	(103,492)
Amortization Land Lease	20,400	20,250	150
Total Expenses	<u>2,357,178</u>	<u>3,357,989</u>	<u>(1,000,811)</u>
Operating Income (Loss)	(113,052)	(771,886)	658,834

(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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Budget Variance (Over) Under</u>
Operating Income (Loss)	\$ (113,052)	(771,886)	658,834
General Revenues			
Property tax	125,001	424,813	(299,812)
Grants	-0-	(36,795)	36,795
Interest	-0-	973	(973)
Gain on disposal of capital assets	-0-	676	(676)
Other	<u>32,416</u>	<u>19,819</u>	<u>12,597</u>
Total General Revenues	<u>157,417</u>	<u>409,486</u>	<u>(252,069)</u>
Increase (Decrease) in Fund Balance	<u>\$ 44,365</u>	(362,400)	<u>406,765</u>
Fund Balance – Beginning of Year		<u>13,062,833</u>	
Fund Balance – End of Year		<u>\$ 12,700,433</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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2016.

**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*

November 21, 2016  
Sacramento, California



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Donner Summit Public Utility District

**Report on Compliance for Each Major Federal Program**

We have audited Donner Summit Public Utility District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, Donner Summit Public Utility District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

GIBSON & COMPANY, INC.  
CERTIFIED PUBLIC ACCOUNTANT

*Gibson & Company, Inc.*  
*Certified Public Accountant*

November 21, 2016  
Sacramento, California

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency			
Pass-through program from:			
State of California State Water Resources Control Board			
Capitalization Grants for Clean Water State Revolving Funds	66.458	12-805-550-0	\$ <u>1,092,785</u>
 Total U.S. Environmental Protection Agency			 <u>1,092,785</u>
 Total expenditures of federal awards			 \$ <u><u>1,092,785</u></u>

See accompanying notes to schedule of expenditures of federal awards.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Donner Summit Public Utility District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Donner Summit Public Utility District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Donner Summit Public Utility District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10% de minimus indirect cost rate.

NOTE C – LOANS OUTSTANDING:

The federal awards provided by State of California State Water Resources Control Board (a pass-through from the U.S. Environmental Protection Agency) is in the form of loans to the District. As of June 30, 2016, the total amount of loans outstanding from federal awards total \$4,345,458.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants For Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No