

**DONNER SUMMIT PUBLIC UTILITY DISTRICT**

**Financial Statements**

**June 30, 2018**

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

DONNER SUMMIT PUBLIC UTILITY DISTRICT

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June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **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, 2018, and the respective changes in the financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 26, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

GIBSON & COMPANY, INC.  
CERTIFIED PUBLIC ACCOUNTANT

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

December 26, 2018  
Sacramento, California

# DONNER SUMMIT PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2018

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, 2018.

### **REQUIRED FINANCIAL STATEMENTS**

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

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

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2018

**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, 2018	June 30, 2017
		\$
Current and other assets	3,059	3,671
Capital assets	27,762	27,549
Total Assets	30,821	31,220
Deferred Outflows of Resources	104	109
Long-term debt outstanding	15,746	17,867
Other liabilities	1,085	1,212
Total Liabilities	16,831	19,079
Net Position		
Net investment in capital assets	11,314	9,080
Restricted for debt payment	733	862
Unrestricted	2,047	2,308
Total Net Position	\$ 14,094	12,250

Changes in Net Position (In Thousands)

Program revenue	\$ 2,528	2,573
General revenues		
Property tax	416	462
Grants	2,282	-0-
Gain (loss) on disposal of capital assets	12	1
Interest and other	21	25
Contributed capital	(2)	69
Total revenues	5,257	3,130
Expenses	3,413	3,580
Increase (Decrease) in net position	\$ 1,844	(450)

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2018

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017/18**

- The District's assets exceeded liabilities at the close of the fiscal year by \$14,094,025. This represents the net position (value) of the District as of June 30, 2018.
- 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 \$791,123, and total revenues exceeded expenses by \$1,844,409, indicating that the District exceeded expectations by approximately \$2,635,532 for the current fiscal year. However, this includes the one time debt that was converted to a grant in the amount of \$2,179,485. The District will continue to make significant loan payments in the years ahead. Accordingly, management anticipates that it will be unable to fund future reserves in the foreseeable future.
- The District received \$858,649 under loan programs from the State of California Water Resource Control Board.
- The District paid off long-term debt and capital leases of \$699,772 during the current fiscal year.
- The District's utility service revenues were level from the prior year. This was as expected since the District had no significant changes in factors affecting revenues.
- The District's utility service expenses decreased by \$167,113 from June 30, 2017 to June 30, 2018. This decrease is the result of reduced interest costs that resulted from a rate reduction the District sought from the State of California.
- Several of the District's operating and maintenance expenses had budget variances in several categories. The District continues to gain experience regarding the costs to operate the waste water treatment facility and is now implementing operations at the new water treatment facility.

(Continued)



# DONNER SUMMIT PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2018

### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017/18 (Continued)**

- Expenses for inflow and infiltration were well below budget. Environment conditions and low system flows prevented the District from performing work in this area.
- The District does not budget for depreciation; accordingly, there is a variance for this item.
- The District purchased \$1,004,076 of capital improvements during the current fiscal year.

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

The Board of Directors adopted the District's 2018/19 budget on June 19, 2018. The District's rates were reviewed by the Board of Directors and may be adjusted during 2018/19.

### **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, 2018 and the District's financial condition as of June 30, 2018. 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, 2018

Assets

	<u>Primary Government Business-Type Activities</u>
<b>Current Assets</b>	
Cash (Note 2)	\$ 2,667,317
Investments (Note 2)	<u>3,202</u>
Total Cash and Cash Equivalents	2,670,519
Accounts receivable	214,194
Allowance for doubtful accounts	<u>(1,000)</u>
Net accounts receivable	213,194
Grant receivable	19,697
Other receivable	5,443
Prepaid expenses	<u>149,969</u>
Total Current Assets	3,058,822
<b>Noncurrent Assets</b>	
Capital assets, net (Note 3)	<u>27,761,949</u>
Total Noncurrent Assets	<u>27,761,949</u>
Total Assets	<u>\$ 30,820,771</u>
<b>Deferred Outflows of Resources</b>	
Advance community finance district costs	<u>\$ 104,248</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Net Position

June 30, 2018

Liabilities and Net Position

	<u>Primary Government Business-Type Activities</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 113,180
Other payable	29,461
Accrued expenses	172,778
Interest payable	66,509
Deferred revenue	1,000
Current portion of capital lease (Note 5)	25,135
Current portion of long-term debt (Note 4)	677,030
Total Current Liabilities	<u>1,085,093</u>
Noncurrent Liabilities	
Capital lease (Note 5)	2,159
Long-term debt (Note 4)	15,743,742
Total Noncurrent Liabilities	<u>15,745,901</u>
Total Liabilities	16,830,994
Net Position	
Net investment in capital assets	11,313,883
Restricted:	
Restricted for debt payment (Note 10)	732,940
Unrestricted	2,047,202
Total Net Position	<u>14,094,025</u>
Total Liabilities and Net Position	<u>\$ 30,925,019</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government</u>
			<u>Business-Type Activities</u>
Program Revenue			
Service fees	\$ 464,096	2,064,124	2,528,220
Total Program Revenue	464,096	2,064,124	2,528,220
Expenses			
Salaries	226,584	764,277	990,861
Employee benefits	72,084	243,220	315,304
Board expense	11,111	35,186	46,297
Professional fees	25,524	107,166	132,690
Equipment maintenance and repair	9,146	45,826	54,972
Operating supplies	16,333	16,441	32,774
Vehicle maintenance and repair	6,278	36,558	42,836
Facility maintenance and repair	58,070	64,829	122,899
Dues and subscriptions	2,365	5,933	8,298
Fees, permits and certifications	15,947	47,954	63,901
Training and education	233	4,611	4,844
Travel	696	3,540	4,236
Insurance	16,278	56,196	72,474
Office supplies	2,568	10,068	12,636
Utilities, communications and telemetry	29,861	365,348	395,209
Chemicals and lab supplies	22,059	144,441	166,500
Laboratory testing	40	55,888	55,928
Small tools and rental	13,659	11,250	24,909
Sludge removal	-0-	37,439	37,439
Depreciation	87,566	703,557	791,123
Interest	-0-	16,775	16,775
Land lease	-0-	20,250	20,250
Total Expenses	616,402	2,796,753	3,413,155
Net Program Revenue (Expense)	(152,306)	(732,629)	(884,935)

(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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government</u>
			<u>Business-Type Activities</u>
Net Program Revenue (Expense)	\$ (152,306)	(732,629)	(884,935)
General Revenues			
Property tax	30,597	385,338	415,935
Grants	2,282,665	-0-	2,282,665
Interest	298	947	1,245
Gain on disposal of capital assets	-0-	11,600	11,600
Other	<u>4,863</u>	<u>15,399</u>	<u>20,262</u>
Total General Revenues	2,318,423	413,284	2,731,707
Contributed Capital	<u>-0-</u>	<u>(2,363)</u>	<u>(2,363)</u>
Increase (Decrease) in Net Position	\$ <u>2,166,117</u>	<u>(321,708)</u>	1,844,409
Net Position – Beginning of Year			<u>12,249,616</u>
Net Position – End of Year			\$ <u>14,094,025</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2018

	<u>Primary Government</u> <u>Business-Type</u> <u>Activities</u>
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 2,615,038
Cash payments to suppliers for goods and services	(1,631,375)
Cash payments to employees for services	(957,761)
Other receipts	20,262
Net Cash Used by Operating Activities	<u>46,164</u>
Cash Flows From Non-Capital Financing Activities:	
Receipt of property taxes	<u>415,935</u>
Net Cash Provided By Non-Capital Financing Activities	415,935
Cash Flows From Capital and Related Financing Activities:	
Proceeds from long-term debt	858,649
Grants received	83,483
Repayment of long-term debt	(699,772)
Interest paid on long-term debt	(134,577)
Net Cash Provided By Capital and Related Financing Activities	<u>107,783</u>
Cash Flows From Investing Activities:	
Purchase of capital assets	(1,160,322)
Proceeds from disposal of capital assets	11,600
Interest received on cash and investments	1,245
Net Cash Used By Investing Activities	<u>(1,147,477)</u>
Net Decrease In Cash	(577,595)
Cash and Cash Equivalents - Beginning of Year	<u>3,248,114</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,670,519</u>

(Continued)

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2018

	<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	\$ 1,844,409
Adjustments to reconcile increase in net	
position to net cash provided by	
operating activities:	
Depreciation	791,123
Gain on disposal of capital assets	(11,600)
Non-operating revenue	(2,697,482)
Non-operating expenses	16,775
(Increase) decrease in:	
Accounts receivable, net	46,888
Other receivable	34,906
Prepaid expenses	(27,202)
Increase (decrease) in:	
Accounts payable	8,407
Other payable	27,098
Accrued expenses	11,842
Deferred revenue	1,000
	(1,798,245)
Total adjustments	
Net Cash Used By Operating	
Activities	\$ 46,164

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

(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, 2018

(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, 2018

(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. Depreciation expense includes amortization of assets under capital leases. The estimated useful lives are as follows:

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

Revenue Recognition – Property Taxes

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

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

(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, 2018 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, 2018, all cash and investments held by the District are considered to be cash equivalents.

Subsequent Events

The effect of subsequent events have been evaluated through December 26, 2018, 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, 2018 is as follows:

Cash on hand	\$	300
Cash on deposit at banks		2,667,017
Investments		3,202
	\$	<u>2,670,519</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

(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>3,202</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

(3) CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Land	\$ 72,623	-0-	-0-	-0-	72,623
Sewage collection, treatment and disposal facilities	36,060,079	-0-	5,306,435	-0-	30,753,644
Sewage equipment	2,099	-0-	-0-	-0-	2,099
Water treatment and distribution facilities	3,213,039	875,093	791,993	2,149,274	5,445,413
Water equipment	293,690	24,187	-0-	-0-	317,877
Water and sewage equipment	291,909	-0-	244	-0-	291,665
Vehicles	228,625	8,500	-0-	-0-	237,125
Vehicles under capital lease	72,021	-0-	-0-	-0-	72,021
Office furniture and equipment	32,874	-0-	-0-	-0-	32,874
Construction in process	2,261,870	96,296	-0-	(2,149,274)	208,892
Total Capital Assets	<u>42,528,829</u>	<u>1,004,076</u>	<u>6,098,672</u>	<u>-0-</u>	<u>37,434,233</u>
Accumulated Depreciation	<u>14,979,833</u>	<u>791,123</u>	<u>6,098,672</u>	<u>-0-</u>	<u>9,672,284</u>
Net Book Value	<u>\$ 27,548,996</u>				<u>27,761,949</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

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

Long-term debt as of June 30, 2018, is summarized as follows:

State of California Water Resources Control Board loan; collateralized by net revenues of the District; interest at 0.75%; interest and principal payable in annual installments of \$719,191 on December 31; final payment due December 31, 2041.	\$ 15,742,476
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.	10,374
Sierra Lakes County Water Districts loan; uncollateralized; interest at 2.75%; principal payable in annual installments of \$65,575 (plus accrued interest) on July 1; final payment due July 1, 2021.	262,300
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 \$6,875; final payment due July 1, 2047.	<u>405,622</u>
Total Long-Term Debt	16,420,772
Less Current Portion of Long-Term Debt	<u>677,030</u>
Long-Term Debt Net of Current Portion	<u>\$ 15,743,742</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

(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	\$ 18,417,622
New Long-Term Debt	858,649
Repayment of Long-Term Debt	(676,014)
Debt Converted to Grant	<u>(2,179,485)</u>
 Long-Term Debt - End of Year	 <u>\$ 16,420,772</u>

The annual requirements to amortize District long-term debt as of June 30, 2018 is as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 677,030	125,544	802,574
2020	691,872	118,970	810,842
2021	689,498	112,625	802,123
2022	694,075	106,245	800,320
2023	633,110	99,831	732,941
2024 through 2028	3,235,928	428,776	3,664,704
2029 through 2033	3,356,492	308,212	3,664,704
2034 through 2038	3,481,646	183,059	3,664,705
2039 through 2043	2,892,373	53,141	2,945,514
2044 through 2048	68,748	-0-	68,748
	<u>\$ 16,420,772</u>	<u>1,536,403</u>	<u>17,957,175</u>

Terms of the above indebtedness provide for, among other things, restrictions on future borrowings and maintenance of certain reserves and financial ratios. Also see note above regarding provisions of loan forgiveness.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

(5) CAPITAL LEASE-BUSINESS-TYPE ACTIVITIES

Lease payable to Ford Credit, collateralized by vehicles; interest at 5.65%; payable in monthly installments of \$2,169; final payment due July 2019	<u>\$ 27,294</u>
Total Capital Lease	27,294
Less Current Portion of Capital Lease	<u>25,135</u>
Capital Lease Net of Current Portion	<u><u>\$ 2,159</u></u>

Changes to the District's Capital Lease is as follows:

Capital Lease – Beginning of Year	\$ 51,052
Repayment of Capital Lease	<u>(23,758)</u>
Capital Lease – End of Year	<u><u>\$ 27,294</u></u>

Future minimum payments under the capital lease are as follows:

Year Ending June 30	Amount
2019	\$ 25,135
2020	<u>2,159</u>
	<u><u>\$ 27,294</u></u>



DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

(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, 2018 was \$3,026,182.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2019 is \$3,157,821.

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

(7) RETIREMENT PLANS

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

The required contribution for the year ended June 30, 2018 was \$45,496. This amount was paid after June 30, 2018 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 \$18,500 (\$24,500 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, 2018

(8) RISK MANAGEMENT

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

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

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

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

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2018

(9) OPERATING LEASE AND RENTAL COMMITMENTS

The District leases office equipment and land for its facilities under operating leases. Future minimum lease payments at June 30, 2018, are as follows:

<u>Year Ending June 30</u>	
2019	\$ 4,392
2020	4,392
2021	<u>4,210</u>
	<u>\$ 12,994</u>

Total rent expense was \$4,392 for the year ended June 30, 2018.

(10) RESTRICTED NET POSITION - DEBT PAYMENT

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

(11) LEASE COMMITMENT

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

(12) CASH FLOWS

Noncash operating and capital financing transactions during the year:

Loan converted to grant	\$2,179,485
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(13) UNUSED CREDIT FACILITIES

The District has secured two finance agreements with the State Water Resources Control Board totaling \$587,400. As of June 30, 2018, \$412,497 has been drawn under these agreements, leaving \$130,903 available for future needs. Funds can be drawn under these agreements through through various dates ending November 1, 2018, Interest accrues at an interest rate of 0.0% per annum. Repayments will be made in semi-annual payments, with the final payment due January 2048.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2018

Assets

		<u>Primary Government Proprietary Fund</u>
Current Assets		
Cash	\$	2,667,317
Investments		3,202
Total Cash and Cash Equivalents		<u>2,670,519</u>
Accounts receivable		214,194
Allowance for doubtful accounts		(1,000)
Net accounts receivable		<u>213,194</u>
Grant receivable		19,697
Other receivable		5,443
Prepaid expenses		<u>149,969</u>
Total Current Assets		3,058,822
Noncurrent Assets		
Capital assets, net		<u>27,761,949</u>
Total Noncurrent Assets		<u>27,761,949</u>
Total Assets	\$	<u><u>30,820,771</u></u>
Deferred Outflows of Resources		
Advance community finance district costs	\$	<u><u>104,248</u></u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2018

Liabilities and Fund Balances

		<u>Primary Government</u> <u>Proprietary</u> <u>Fund</u>
Liabilities		
Current Liabilities		
Accounts payable	\$	113,180
Other payable		29,461
Accrued expenses		172,778
Interest payable		66,509
Deferred revenue		1,000
Current portion of capital lease		25,135
Current portion of long-term debt		677,030
Total Current Liabilities		<u>1,085,093</u>
Noncurrent Liabilities		
Capital lease		2,159
Long-term debt		15,743,742
Total Noncurrent Liabilities		<u>15,745,901</u>
Total Liabilities		16,830,994
Fund Balances		
Net investment in capital assets		11,313,883
Restricted:		
Restricted for debt payment		732,940
Unrestricted		2,047,202
Total Fund Balances		<u>14,094,025</u>
Total Liabilities and Fund Balances	\$	<u><u>30,925,019</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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Budget Variance (Over) Under</u>
Program Revenue			
Service fees	\$ 2,273,714	2,528,220	(254,506)
Total Program Revenue	2,273,714	2,528,220	(254,506)
Expenses			
Salaries	862,070	990,861	(128,791)
Employee benefits	298,793	315,304	(16,511)
Board expense	48,280	46,297	1,983
Professional fees	135,447	132,690	2,757
Equipment maintenance and repair	80,541	54,972	25,569
Operating supplies	7,338	32,774	(25,436)
Vehicle maintenance and repair	43,426	42,836	590
Facility maintenance and repair	47,757	122,899	(75,142)
Dues and subscriptions	6,457	8,298	(1,841)
Fees, permits and certifications	44,725	63,901	(19,176)
Training and education	6,809	4,844	1,965
Travel	-0-	4,236	(4,236)
Insurance	73,000	72,474	526
Office supplies	3,904	12,636	(8,732)
Utilities, communications and telemetry	328,315	395,209	(66,894)
Chemicals and lab supplies	138,225	166,500	(28,275)
Laboratory testing	54,140	55,928	(1,788)
Small tools and rental	8,927	24,909	(15,982)
Inflow and infiltration	25,000	-0-	25,000
Sludge removal	14,000	37,439	(23,439)
Depreciation	-0-	791,123	(791,123)
Interest	284,560	16,775	267,785
Amortization Land Lease	20,250	20,250	-0-
Total Expenses	<u>2,531,964</u>	<u>3,413,155</u>	<u>(881,191)</u>
Operating Income (Loss)	(258,250)	(884,935)	626,685

(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, 2018

	Original and Final Budget	Actual	Budget Variance (Over) Under
Operating Income (Loss)	\$ (258,250)	(884,935)	626,685
General Revenues			
Property tax	127,500	415,935	(288,435)
Grants	-0-	2,282,665	(2,282,665)
Interest	-0-	1,245	(1,245)
Gain on disposal of capital assets	-0-	11,600	(11,600)
Other	32,416	20,262	12,154
Total General Revenues	159,916	2,731,707	(2,571,791)
Contributed Capital	-0-	(2,363)	2,363
Increase (Decrease) in Fund Balance	\$ <u>(98,334)</u>	1,844,409	<u>(1,942,743)</u>
Fund Balance – Beginning of Year		<u>12,249,616</u>	
Fund Balance – End of Year		\$ <u>14,094,025</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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 26, 2018.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.



## Compliance and Other Matters

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

## Purpose of this Report

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

GIBSON & COMPANY, INC.  
CERTIFIED PUBLIC ACCOUNTANT

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

December 26, 2018  
Sacramento, California

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

2018-001            The District should improve internal controls over classification recording of transactions that effect the Statement of Net Position

**Background**

District management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability and accuracy of information used for financial reporting. We identified a material weakness in internal controls that could adversely affect the District's ability to accurately report its financial statements issued during the year.

Government Auditing Standards, prescribed by the Comptroller of the United States, requires the auditor to communicate material weaknesses, as defined below, as a finding.

**Description of Condition**

Loan advances and repayments were not consistently applied to the correct classification on the Statement of Net Position.

**Cause of Condition**

The District's internal control procedures do not include a step to verify the categorization of loan advances and repayments.

**Effect of Condition**

This weakness in the internal controls resulted in a miscategorization on the monthly Statement of Net Assets as provided to the board on a monthly basis.

**Recommendations**

We recommend that the District implement a review step after the loan transactions have been posted to verify that these transactions are property classified.

**District's Response**

The District recognizes the significance of internal controls over recording and reporting financial transactions. The District will implement a review step regarding loan transactions to assure they are classified correctly.

**Auditor's Remarks**

We appreciate the District's commitment to resolving this finding and thank the District for their cooperation and assistance. We will review the status during the next audit.