

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Financial Statements

June 30, 2020

(With Independent Auditor's Report Thereon)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

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June 30, 2020

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CERTIFIED PUBLIC ACCOUNTANT

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on General Fund

As explained in Note 12 to the financial statements, management has omitted the Asset Retirement Obligation from the financial statements. Accounting principles generally accepted in the United States of America require the District to develop a reasonable estimate regarding its Asset Retirement Obligation and record that estimate as a liability and a deferred outflow of resources. In addition, those standards require recognition of this expense over the asset's remaining useful life. The amount by which this departure would affect the assets, liabilities, net position and expenses of the business-type activities has not been determined.

Qualified Opinion

In our opinion, except for the matter described in the "Basis for Adverse Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Donner Summit Public Utility District as of June 30, 2020, 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 January 14, 2021, 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

January 14, 2021
Sacramento, California

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2020

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, 2020.

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, 2020

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, 2020	June 30, 2019
Current and other assets	\$ 2,026	2,675
Capital assets	27,011	27,054
Total Assets	29,037	29,729
Long-term debt outstanding	14,814	15,076
Other liabilities	1,084	1,050
Total Liabilities	15,898	16,126
Net Position		
Net investment in capital assets	11,387	11,192
Restricted for debt payment	737	737
Unrestricted	1,015	1,674
Total Net Position	\$ 13,139	13,603

Changes in Net Position (In Thousands)

Program revenue	\$ 2,605	2,665
General revenues		
Property tax	425	421
Grants	(31)	49
Interest and other	23	38
Contributed capital	24	10
Total revenues	3,046	3,183
Expenses	3,510	3,674
Increase (Decrease) in net position	\$ (464)	(491)

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2020

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019/20

- The District's assets exceeded liabilities at the close of the fiscal year by \$13,138,722. This represents the net position (value) of the District as of June 30, 2020.
- 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 \$806,926, and total revenues fell short of expenses by \$464,070, indicating that the District exceeded expectations by approximately \$342,856 for the current fiscal year excluding depreciation expense. The District will continue to make significant loan payments in the years ahead. Accordingly, management anticipates that it will be unable to fund future reserves in the foreseeable future.
- The District received \$489,708 under loan programs from the State of California Water Resource Control Board, the United States of America Department of Agriculture, and Pacific Gas and Electric.
- The District paid off long-term debt and capital leases of \$727,911 during the current fiscal year.
- The District's utility service revenues were down slightly from the prior year. Revenue from on-going customers increased slightly, however one-time water sales were lower than the prior year.
- The District's utility service expenses decreased by \$163,700 from June 30, 2019 to June 30, 2020. This represents reduced costs by the District for professional services, repairs, and utilities.
- 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 new water treatment facility. Management expects future year's costs to be more in line with budgets.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2020

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019/20 (Continued)

- Expenses for inflow and infiltration were well below budget. Other projects, environment conditions and low system flows prevented the District from performing work in this area.
- The District does not budget for depreciation; accordingly, there is a variance for this item.
- The District purchased \$558,209 of capital improvements during the current fiscal year.

EFFECTS OF COVID-19

District revenues have not been significantly impacted by the Coronavirus. The District Board of Director meetings are conducted virtually. District staff observes CAL-OSHA Covid-19 regulations.

NEXT YEAR BUDGET AND RATES

The Board of Directors adopted the District's 2020/21 budget on June 23, 2020. The District's rates were reviewed by the Board of Directors and may be adjusted during 2020/21. Additionally, the District anticipates approximately 65+ new sewer connections in the Sugar Bowl East and West Village subdivisions. This will result in an increase to annual wastewater revenues and District reserve accounts.

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, 2020 and the District's financial condition as of June 30, 2020. 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, 2020

Assets

	<u>Primary Government Business-Type Activities</u>
Current Assets	
Cash	\$ 1,670,251
Investments	3,352
Total Cash and Cash Equivalents	<u>1,673,603</u>
Accounts receivable	239,910
Allowance for doubtful accounts	<u>(1,000)</u>
Net accounts receivable	238,910
Other receivable	22,394
Prepaid expenses	<u>91,228</u>
Total Current Assets	2,026,135
Noncurrent Assets	
Capital assets, net	<u>27,010,569</u>
Total Noncurrent Assets	<u>27,010,569</u>
 Total Assets	 \$ <u><u>29,036,704</u></u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Net Position

June 30, 2020

Liabilities and Net Position

		<u>Primary Government Business-Type Activities</u>
Liabilities		
Current Liabilities		
Accounts payable	\$	95,443
Accrued expenses		211,965
Interest payable		62,119
Current portion of long-term debt		<u>714,671</u>
Total Current Liabilities		1,084,198
Noncurrent Liabilities		
Long-term debt		<u>14,813,784</u>
Total Noncurrent Liabilities		<u>14,813,784</u>
Total Liabilities		15,897,982
Net Position		
Net investment in capital assets		11,386,738
Restricted:		
Restricted for debt payment		737,378
Unrestricted		<u>1,014,606</u>
Total Net Position		<u>13,138,722</u>
Total Liabilities and Net Position	\$	<u><u>29,036,704</u></u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government</u>
			<u>Business-Type Activities</u>
Program Revenue			
Service fees	\$ 435,951	2,168,713	2,604,664
Total Program Revenue	435,951	2,168,713	2,604,664
Expenses			
Salaries	226,273	762,273	988,546
Employee benefits	82,496	280,153	362,649
Board expense	13,111	41,518	54,629
Professional fees	21,009	74,695	95,704
Equipment maintenance and repair	26,031	41,823	67,854
Operating supplies	6,669	11,602	18,271
Vehicle maintenance and repair	6,994	45,663	52,657
Facility maintenance and repair	32,819	98,791	131,610
Dues and subscriptions	5,717	6,775	12,492
Fees, permits and certifications	24,165	19,386	43,551
Training and education	411	2,361	2,772
Travel	152	1,329	1,481
Insurance	21,081	73,114	94,195
Office supplies	799	6,602	7,401
Utilities, communications and telemetry	44,507	347,898	392,405
Chemicals and lab supplies	26,815	123,570	150,385
Laboratory testing	5,752	37,205	42,957
Small tools and rental	1,808	8,601	10,409
Inflow and infiltration program	-0-	2,295	2,295
Sludge removal	-0-	27,115	27,115
Depreciation	114,189	692,737	806,926
Interest	3,717	119,629	123,346
Land lease	-0-	20,250	20,250
Miscellaneous	33	239	272
Total Expenses	664,548	2,845,624	3,510,172
Net Program Revenue (Expense)	(228,597)	(676,911)	(905,508)

(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, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Primary Government Business-Type Activities</u>
Net Program Revenue (Expense)	\$ (228,597)	(676,911)	(905,508)
General Revenues			
Property tax	31,061	394,347	425,408
Grants	(30,622)	-0-	(30,622)
Interest	229	727	956
Other	<u>5,200</u>	<u>16,466</u>	<u>21,666</u>
Total General Revenues	5,868	411,540	417,408
Contributed Capital	<u>-0-</u>	<u>24,030</u>	<u>24,030</u>
Increase (Decrease) in Net Position	\$ <u>(222,729)</u>	<u>(241,341)</u>	(464,070)
Net Position – Beginning of Year			<u>13,602,792</u>
Net Position – End of Year			\$ <u><u>13,138,722</u></u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2020

	<u>Primary Government Business-Type Activities</u>
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 2,525,966
Cash payments to suppliers for goods and services	(1,459,321)
Cash payments to employees for services	(947,842)
Other receipts	21,666
Net Cash Provided by Operating Activities	<u>140,469</u>
Cash Flows From Non-Capital Financing Activities:	
Receipt of property taxes	<u>425,408</u>
Net Cash Provided By Non-Capital Financing Activities	425,408
Cash Flows From Capital and Related Financing Activities:	
Proceeds from long-term debt	411,951
Repayment of long-term debt	(727,911)
Interest paid on long-term debt	<u>(119,144)</u>
Net Cash Used By Capital and Related Financing Activities	(435,104)
Cash Flows From Investing Activities:	
Purchase of capital assets	(695,880)
Interest received on cash and investments	956
Net Cash Used By Investing Activities	<u>(694,924)</u>
Net Decrease In Cash	(564,151)
Cash and Cash Equivalents - Beginning of Year	<u>2,237,754</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,673,603</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, 2020

	<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	\$ (464,070)
Adjustments to reconcile increase in net position to net cash provided by operating activities:	
Depreciation	806,926
Non-operating revenue	(419,772)
Non-operating expenses	123,346
(Increase) decrease in:	
Accounts receivable, net	(40,126)
Other receivable	32,889
Prepaid expenses	95,897
Increase (decrease) in:	
Accounts payable	30,848
Other payable	(58,711)
Accrued expenses	<u>33,242</u>
Total adjustments	<u>604,539</u>
Net Cash Provided By Operating Activities	<u>\$ 140,469</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2020

(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, 2020

(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, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

Revenue Recognition – Property Taxes

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

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2020

(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, 2020 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, 2020, all cash and investments held by the District are considered to be cash equivalents.

Subsequent Events

The effect of subsequent events have been evaluated through January 14, 2021, 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, 2020 is as follows:

Cash on hand	\$	300
Cash on deposit at banks		1,669,951
Investments		<u>3,352</u>
	\$	<u><u>1,673,603</u></u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2020

(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>3,352</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2020

(3) CAPITAL ASSETS

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

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Land	\$ 72,623	-0-	-0-	-0-	72,623
Sewage collection, treatment and disposal facilities	30,779,538	162,805	-0-	-0-	30,942,343
Water treatment and distribution facilities	5,445,413	13,816	80,796	-0-	5,378,433
Water equipment	320,446	-0-	880	-0-	319,566
Water and sewage equipment	291,665	21,899	-0-	-0-	313,564
Vehicles	309,146	-0-	-0-	-0-	309,146
Office furniture and equipment	32,874	7,321	-0-	-0-	40,195
Construction in process	<u>275,802</u>	<u>558,209</u>	<u>-0-</u>	<u>-0-</u>	<u>834,011</u>
Total Capital Assets	<u>37,527,507</u>	<u>764,050</u>	<u>81,676</u>	<u>-0-</u>	<u>38,209,881</u>
Accumulated Depreciation	<u>10,474,062</u>	<u>806,926</u>	<u>81,676</u>	<u>-0-</u>	<u>11,199,312</u>
Net Book Value	<u>\$ 27,053,445</u>				<u>27,010,569</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2020

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

Long-term debt as of June 30, 2020, is summarized as follows:

	<u>Direct Borrowings</u>
State of California Water Resources Control Board loan; collateralized by net revenues of the District; interest at 0.75%; interest and principal payable in annual installments of \$719,191 on December 31; final payment due December 31, 2041.	\$ 14,535,724
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.	131,150
State of California Water Resources Control Board loan; collateralized by net revenues of the District; interest at 0%; principal payable in semi-annual installments of \$9,094; final payment due January 1, 2048.	500,150
United States of America Department of Agriculture loan; collateralized by net revenues of the District; interest at 2.75%; interest and principal payable in annual installments beginning February 2021 (including all accrued interest on that date) of \$14,156; final payment due February 2023.	336,000
United States of America Department of Agriculture loan; collateralized by net revenues of the District; interest at 2.75% interest and principal payable in annual installments beginning February 2021 (including all accrued interest on that date) of \$5,814; final payment due September 2021.	43,050

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2020

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

	<u>Direct Borrowings</u>
Pacific Gas and Electric Company loan; uncollateralized; interest of 0%; principal payable in monthly installments of \$697; final payment due October 2028.	\$ 70,436
Pacific Gas and Electric Company loan; uncollateralized; interest at 0%; principal payable in monthly installments of \$61; final payment due May 2030.	<u>7,321</u>
Total Long-Term Debt	15,623,831
Less Debt Issuance Costs	95,376
Less Current Portion of Long-Term Debt	<u>714,671</u>
Long-Term Debt Net of Current Portion	<u>\$ 14,813,784</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2020

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

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

Long-Term Debt - Beginning of Year	\$ 15,859,876
New Long-Term Debt	491,866
Repayment of Long-Term Debt	<u>(727,911)</u>
 Long-Term Debt - End of Year	 <u>\$ 15,623,831</u>

The annual requirements to amortize District long-term debt (direct borrowings) as of June 30, 2020 is as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 714,671	123,181	837,852
2022	717,583	116,245	833,828
2023	656,896	109,553	766,449
2024	661,826	104,623	766,449
2025	666,800	99,650	766,450
2026 through 2030	3,385,250	422,252	3,807,502
2031 through 2035	3,463,331	294,341	3,757,672
2036 through 2040	3,595,544	162,128	3,757,672
2041 through 2045	1,559,559	40,540	1,600,099
2046 through 2050	107,635	17,707	125,342
2051 through 2055	60,886	9,894	70,780
2056 through 2058	33,850	1,714	35,564
	<u>\$ 15,623,831</u>	<u>1,501,828</u>	<u>17,125,659</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, 2020

(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, 2020 was \$3,298,660.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2021 is \$3,463,593.

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, 2020 was \$52,985. This amount was paid after June 30, 2020 and is included in Accrued Expenses.

A 457 Deferred Compensation Plan has also been established by the District with Nationwide Retirement Solutions. Employees who completed ninety days of continuous service may elect to defer compensation up to 100% of their salary or \$19,000 (\$26,000 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, 2020

(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, 2020

(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, 2020, are as follows:

<u>Year Ending June 30</u>	
2021	\$ <u>4,210</u>
	\$ <u>4,210</u>

Total rent expense was \$4,392 for the year ended June 30, 2020.

(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.

(11) UNUSED CREDIT FACILITIES

The District has secured a finance agreement with the United States of America Department of Agriculture totaling \$138,000. As of June 30, 2020, \$43,050 has been drawn under this agreement, leaving \$94,950 available for future needs. Interest accrues at an interest rate of 2.75% per annum. Repayments will be made in annual payments, with the final payment due February 2058.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2020

(12) DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

(13) CASH FLOW INFORMATION

During the fiscal year, the District purchased energy efficiency equipment utilizing a financing agreement. This non-cash transaction effected investing and financing activities in the amount of \$77,757.

(14) SUBSEQUENT EVENTS

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have effected economic activity. The District has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our essential operation.

At this stage, the impact on the District and its results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our essential operations in the best and safest way possible without jeopardizing the health of our people.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2020

Assets

	Primary Government Proprietary Fund
Current Assets	
Cash	\$ 1,670,251
Investments	3,352
Total Cash and Cash Equivalents	1,673,603
Accounts receivable	239,910
Allowance for doubtful accounts	(1,000)
Net accounts receivable	238,910
Other receivable	22,394
Prepaid expenses	91,228
Total Current Assets	2,026,135
Noncurrent Assets	
Capital assets, net	27,010,569
Total Noncurrent Assets	27,010,569
 Total Assets	 \$ 29,036,704

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2020

Liabilities and Fund Balances

	<u>Primary Government</u> <u>Proprietary</u> <u>Fund</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 95,443
Accrued expenses	211,965
Interest payable	62,119
Current portion of long-term debt	714,671
Total Current Liabilities	<u>1,084,198</u>
Noncurrent Liabilities	
Long-term debt	<u>14,813,784</u>
Total Noncurrent Liabilities	<u>14,813,784</u>
Total Liabilities	15,897,982
Fund Balances	
Net investment in capital assets	11,386,738
Restricted:	
Restricted for debt payment	737,378
Unrestricted	<u>1,014,606</u>
Total Fund Balances	<u>13,138,722</u>
Total Liabilities and Fund Balances	<u>\$ 29,036,704</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, 2020

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Service fees	\$ 2,328,826	2,604,664	(275,838)
Total Program Revenue	2,328,826	2,604,664	(275,838)
Expenses			
Salaries	971,921	988,546	(16,625)
Employee benefits	372,311	362,649	9,662
Board expense	60,328	54,629	5,699
Professional fees	170,050	95,704	74,346
Equipment maintenance and repair	83,763	67,854	15,909
Operating supplies	7,632	18,271	(10,639)
Vehicle maintenance and repair	44,143	52,657	(8,514)
Facility maintenance and repair	46,168	131,610	(85,442)
Dues and subscriptions	8,165	12,492	(4,327)
Fees, permits and certifications	49,128	43,551	5,577
Training and education	5,460	2,772	2,688
Travel	-0-	1,481	(1,481)
Insurance	95,120	94,195	925
Office supplies	8,935	7,401	1,534
Utilities, communications and telemetry	339,747	392,405	(52,658)
Chemicals and lab supplies	143,753	150,385	(6,632)
Laboratory testing	49,306	42,957	6,349
Small tools and rental	9,284	10,409	(1,125)
Inflow and infiltration	26,000	2,295	23,705
Sludge removal	43,000	27,115	15,885
Depreciation	-0-	806,926	(806,926)
Interest	162,733	123,346	39,387
Amortization Land Lease	20,250	20,250	-0-
Miscellaneous	-0-	272	(272)
Total Expenses	2,717,197	3,510,172	(792,975)
Operating Income (Loss)	(388,371)	(905,508)	517,137

(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, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Budget Variance (Over) Under</u>
Operating Income (Loss)	\$ (388,371)	(905,508)	517,137
General Revenues			
Property tax	132,000	425,408	(293,408)
Grants	-0-	(30,622)	30,622
Interest	-0-	956	(956)
Other	<u>42,526</u>	<u>21,666</u>	<u>20,860</u>
Total General Revenues	174,526	417,408	(242,882)
Contributed Capital	<u>-0-</u>	<u>24,030</u>	<u>(24,030)</u>
Increase (Decrease) in Fund Balance	\$ <u>(213,845)</u>	(464,070)	<u>250,225</u>
Fund Balance – Beginning of Year		<u>13,602,792</u>	
Fund Balance – End of Year		\$ <u><u>13,138,722</u></u>	

See the accompanying notes to the financial statements

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

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FORREST M. GIBSON, ADMIN.

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

Board of Directors
Donner Summit Public Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Donner Summit Public Utility District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

Gibson & Company, Inc.
Certified Public Accountant

January 14, 2020
Sacramento, California