

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT
4600 NORTHGATE BLVD., SUITE 115 • SACRAMENTO, CALIFORNIA 95834-1121
(916) 484-1252 FAX (916) 484-1123
WEBSITE WWW.GIBSONCOCPA.COM

January 12, 2023

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

We have audited the financial statements of the business-type activities of Donner Summit Public Utility District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 8, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, Leases at July 1, 2021. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and Changes in Net Position. The application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. At June 30, 2022, there were no significant sensitive estimates affecting the financial statements. We evaluated the key factors and assumptions used to develop the less sensitive estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Page 2

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 12, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Management has determined that the District's financial statements will not follow the guidance of Governmental Accounting Standards Board Statement No. 83 that requires the District to record a Asset Retirement Obligation, a deferred outflow of resources, and annual expenses over the life of the related asset related to the District's wastewater treatment plant. Management believes recording this liability would not present an accurate representation of the District's financial position. Accordingly, the District is not following the guidance required by Statement No. 83 of the Governmental Accounting Standards Board and this is a departure from generally accepted accounting principles. Our report on your financial statements has been modified to include the following paragraph:

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

Gibson + Company, Inc.
Certified Public Accountant

GIBSON & COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANT

4600 NORTH-GATE BLVD., SUITE 115 • SACRAMENTO, CALIFORNIA 95834-1121
(916) 484-1252 FAX (916) 484-1123
WEBSITE WWW.GIBSONCOCPA.COM

To the Board Directors and
Steven Palmer, General Manager

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

In planning and performing our audit of the financial statements of the business-type activities of Donner Summit Public Utility District as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Donner Summit Public Utility District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Donner Summit Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Donner Summit Public Utility District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Page 2

However, during our audit we became aware of one matter that represent an opportunity for strengthening internal controls and operating efficiency as follows:

District staff was unable to readily locate some requested supporting documentation. The District's records should be timely acquired and maintained in such a way that the original documentation that supports the transactions recorded in the accounting system can be readily located. We recommend that the District review their processes in this area and assure that those processes are adequate to meet the goal of being able to readily locate original documentation that supports the accounting records.

We will review the status of this comment during our next audit engagement. We have already discussed these comments and suggestions with the General Manager, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

Gibson + Company, Inc.
Certified Public Accountant

January 12, 2023
Sacramento, California

N:\117500 Donner\2021\Admin 72 Controls Letter.docx

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Financial Statements

June 30, 2022

(With Independent Auditor's Report Thereon)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Table of Contents

June 30, 2022

	<u>Page</u>
Independent Auditor's Report	3 – 6
Management's Discussion and Analysis (Required Supplementary Information)(Unaudited)	7 – 12
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	13 – 14
Statement of Activities and Changes in Net Position	15 – 16
Statement of Cash Flows	17 – 18
Notes to the Financial Statements	19 – 32
Fund Financial Statements	
Balance Sheet	33 – 34
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual - Proprietary Fund	35 – 36
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	37 – 38

GIBSON & COMPANY, INC.**CERTIFIED PUBLIC ACCOUNTANT**

4600 NORTHGATE BLVD., SUITE 115 • SACRAMENTO, CALIFORNIA 95834-1121

(916) 484-1252

FAX (916) 484-1123

WEBSITE WWW.GIBSONCOCPA.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Donner Summit Public Utility District

Report on the Audit of the Financial Statements**Qualified Opinion**

We have audited the accompanying financial statements of the business-type activities of Donner Summit Public Utility District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Donner Summit Public Utility District's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Donner Summit Public Utility District, as of June 30, 2022, and the changes in financial position, and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Donner Summit Public Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to the Qualified Opinion

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

Change in Accounting Principle

As described in Note 1 to the financial statements, during the year ended June 30, 2022, Donner Summit Public Utility District adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Donner Summit Public Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Donner Summit Public Utility District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Donner Summit Public Utility District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-12 and 35-36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2023, on our consideration of Donner Summit Public Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Donner Summit Public Utility District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Donner Summit Public Utility District's internal control over financial reporting and compliance.

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

Gibson & Company, Inc.
Certified Public Accountant

Sacramento, California
January 12, 2023

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the District's annual financial report is provided as supplementary information to the audited financial statements. It is Management's intention that this information provides the financial statement reader with a brief and concise overview and analysis of the District's financial activities for the fiscal year ended June 30, 2022.

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

FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities at the close of the fiscal year by \$12,800,341. This represents the net position of the District as of June 30, 2022.
- The District's net position increased by \$125,289 after the adjustment to prior year net position.
- Total revenues for the fiscal year were \$3,796,526, an increase of \$550,063 or 16.9% over the prior fiscal year.
- Total operating expenses for the fiscal year were \$3,671,237, an increase of \$6,131 or 0.17% over the prior fiscal year. Consistent with generally accepted accounting principles, operating expenses do not include principal payments or capital asset purchases.
- In addition to the operating expenses, the District also made principal payments on long term debt in the amount of \$714,547 during the fiscal year.
- In addition to the operating expenses, the District incurred \$264,744 in capital asset purchases during the current fiscal year.
- Cash and Cash Equivalents on June 30, 2022 totaled \$847,881.
- Cash and Cash Equivalents decreased by \$219,699 during the fiscal year.
- During the prior fiscal year (FY2020/2021), Cash and Cash Equivalents decreased by \$606,023.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2022

NET POSITION

The analysis below focuses on the Net Position and Changes in Net Position for June 30, 2021 and June 30, 2022. The analysis of Net Position provides a snapshot in time that shows assets, liabilities, and net assets as of June 30, 2022 and compares it to the same data from June 30, 2021. The analysis of Changes in Net Position compares the revenues and expenses from the same snapshots in time.

Net Position (In Thousands)

	Primary Government	
	Business-Type	
	Activities	
	June 30, 2022	June 30, 2021
Current and other assets	\$ 1,657	1,665
Capital assets	26,113	26,400
Total Assets	<u>27,770</u>	<u>28,065</u>
Long-term debt outstanding	13,930	14,218
Other liabilities	1,040	1,127
Total Liabilities	<u>14,970</u>	<u>15,345</u>
Net Position		
Net investment in capital assets	11,489	11,385
Restricted for debt payment	760	739
Unrestricted	551	596
Total Net Position	<u>\$ 12,800</u>	<u>12,720</u>

Changes in Net Position (In Thousands)

Program revenue	\$ 3,248	2,758
General revenues		
Property tax	457	441
Grants	31	-0-
Interest and other	40	29
Contributed capital	20	18
Total revenues	<u>3,796</u>	<u>3,246</u>
Expenses	<u>3,671</u>	<u>3,665</u>
Increase (Decrease) in net position	<u>\$ 125</u>	<u>(419)</u>
Adjustment to prior year net position	<u>(45)</u>	<u>-0-</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management’s Discussion and Analysis

For the Year Ended June 30, 2022

NET POSITION (CONTINUED)

The above analysis shows that the District’s net position decreased by \$125,000 from June 30, 2021 to June 30, 2022. This data also shows that Total Revenues increased by \$550,000 and Expenses increased by \$6,000.

REVENUES

The District receives revenue from two major sources, service fees and property taxes. Services fees are considered as operating revenue and for the purposes of the financial statements they are labeled Program Revenue. Property taxes are consolidated with other non-operating revenues such as interest income into the category of General Revenue. The table below compares Program Revenue and General Revenue for the year ended June 30, 2022 to the year ended June 30, 2021.

Revenue Summary and Comparison

	Business-Type Activities		Change	Change
	June 30, 2022	June 30, 2021	(\$)	(%)
<i>Program Revenue</i>				
Service Fees	3,248,174	2,757,894	490,280	17.8%
<i>Total Program Revenue</i>	<i>3,248,174</i>	<i>2,757,894</i>	<i>490,280</i>	<i>17.8%</i>
<i>General Revenue</i>				
Property Tax	457,321	440,711	16,610	3.8%
Grants	30,640	0	30,640	--
Interest	607	441	166	37.6%
Gain on disposal of capital assets	0	3,000	(3,000)	(100%)
Other	39,994	26,362	13,632	51.7%
<i>Total General Revenues</i>	<i>528,562</i>	<i>470,514</i>	<i>58,048</i>	<i>12.3%</i>
Contributed Capital	19,790	18,055	1,735	9.6%
<i>Total Revenues</i>	<i>3,796,526</i>	<i>3,246,463</i>	<i>550,063</i>	<i>16.9%</i>

Program revenue increased by \$490,280, or 17.8%. This is due to the Board approved rate increases. General Revenues increased by \$58,048 or 12.3%. The increase in General Revenue is primarily due to accrual of the State of California disaster assistance payments, and the sale of recycled water for construction purposes. While the disaster assistance payments were accrued in this fiscal year, they were received after June 30, 2022.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2022

OPERATING EXPENSES**Expense Summary and Comparison**

	Business-Type Activities		Change (\$)	Change (%)
	June 30, 2022	June 30, 2021		
Salaries	838,951	974,165	(135,214)	(13.88)
Employee benefits	366,280	370,538	(4,258)	(1.15)
Board expense	65,180	58,912	6,268	10.64
Professional fees	170,823	138,475	32,348	23.36
Equipment maintenance	52,191	45,619	6,572	14.41
Operating supplies	9,916	24,524	(14,608)	(59.57)
Vehicle maintenance	38,237	41,393	(3,156)	(7.62)
Facility maintenance	129,996	103,654	26,342	25.41
Dues and subscriptions	11,448	17,720	(6,272)	(35.40)
Fees, permits, cert	46,791	48,895	(2,104)	(4.30)
Training	2,690	908	1,782	196.26
Travel	814	0	814	--
Insurance	156,404	135,572	20,832	15.37
Office supplies	8,712	6,318	2,394	37.89
Utilities, communications	501,213	378,057	123,156	32.58
Chemicals and lab supplies	178,161	145,570	32,591	22.39
Laboratory testing	40,260	52,315	(12,055)	(23.04)
Small tools and rental	14,538	42,834	(28,296)	(66.06)
Inflow and infiltration	0	0	--	--
Sludge removal	19,484	35,551	(16,067)	(45.19)
Depreciation	875,748	895,859	(20,111)	(2.24)
Interest	131,060	127,977	3,083	2.41
Amortization, right-of-use asset	12,340	20,250	(7,910)	(39.06)
Miscellaneous	0	0	--	--
<i>Total Expenses</i>	<i>3,671,237</i>	<i>3,665,106</i>	<i>6,131</i>	<i>0.17</i>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2022

OPERATING EXPENSES (CONTINUED)

Operating expenses increased by \$6,131 or 0.17%. This is not a significant increase over prior year expenses. The District did experience a notable increase of \$123,156 in utilities, communications expenses, and a decrease of \$135,214 in salaries. The increase in utilities, communications was due to rate increases for propane and electricity. The decrease in salaries was due to the vacant Office Manager position, and the hiring of the new General Manager at a lower salary.

CAPITAL

As noted in Note 3 to the Financial Statements the District acquired \$264,744 of capital assets this fiscal year. This is a decrease of \$20,820 or 7.3% as compared to last fiscal year's acquisition of capital assets.

Capital improvements this fiscal year include equipment purchases, and replacement equipment for the water treatment plant and wastewater treatment plant.

LONG TERM DEBT

As detailed in Note 5 to the Financial Statements, the District's long term debt is \$14,300,439. The three largest borrowings are \$13,310,802 for the wastewater treatment plant upgrade, \$463,776 for the Lake Angela Water Treatment Plant upgrade, and a total of \$467,065 for the Big Bend Water System upgrade. The final payments on these loans are due in 2041, 2048, and 2061, respectively.

The District will continue to make significant loan payments in the years ahead. Note 5 to the Financial Statements shows the annual requirements to amortize the direct borrowings through 2058. For the next fiscal year, the annual requirement will be \$757,355.

EFFECTS OF COVID-19

District revenues and expenses were not significantly impacted by COVID-19 during this fiscal year. The District did experience some cost increases from suppliers due to COVID-19 supply chain and labor disruptions, however they have not significantly impacted the District's ability to operate. In order to minimize labor disruptions caused by sickness and extended quarantines, District Staff observe State of California COVID-19 regulations, and the District Board of Director meetings were conducted virtually.

The District does not expect to experience any significant impacts from COVID-19 during Fiscal Year 2022/2023.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2022

NEXT YEAR BUDGET AND RATES

The Board of Directors adopted the District's Fiscal Year 2022/23 budget on June 21, 2022. The District adopted new water and sewer rates on June 15, 2021 that began with the July 2021 customer billing. The adopted rates included increases each year until July 1, 2025. These new rates were calculated so that the District could begin to build reserve funds, with the goal of having 6 months of operating expenses in reserve by June 30, 2026. Additionally, the Board adopted water rates for the Big Bend Water System in 2018, and those rates increase on January 1 each year with the last increase occurring on January 1, 2024.

One concern for the future fiscal years is the potential impact of cost inflation. While the Fiscal Year 2022/23 Budget and the District's utility rate structure include allowances for cost inflation, there have been significant recent increases in inflation metrics such as the consumer price index. For example, the consumer price index increased by more than 6% year over year at times recently, and the District has experienced wide fluctuations in the cost of fuel and utilities. If annual price increases exceed 5% for an extended period of time, then the District will need to update its utility rates to keep pace with actual costs. Economists currently forecast that inflation will decrease to 2.9% during 2023 and continue to decrease in 2024, so these cost increases appear manageable at this time.

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, 2022 and the District's financial condition as of June 30, 2022. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Donner Summit Public Utility District General Manager, Steven Palmer, at P.O. Box 610, Soda Springs, California 95728 or call 530-426-3456.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Net Position

June 30, 2022

Assets

	<u>Primary Government Business-Type Activities</u>
Current Assets	
Cash	\$ 844,491
Investments	3,390
Total Cash and Cash Equivalents	<u>847,881</u>
Accounts receivable	267,247
Allowance for doubtful accounts	(1,000)
Net accounts receivable	<u>266,247</u>
Grants receivable	30,640
Other receivable	251,387
Prepaid expenses	<u>261,321</u>
Total Current Assets	1,657,476
Noncurrent Assets	
Capital assets, net	25,789,270
Right-of-use asset, net	<u>323,411</u>
Total Noncurrent Assets	<u>26,112,681</u>
 Total Assets	 <u>\$ 27,770,157</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Net Position

June 30, 2022

Liabilities and Net Position

	<u>Primary Government Business-Type Activities</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 124,290
Accrued expenses	185,024
Interest payable	55,511
Deferred revenue	19,923
Current portion of lease liability	9,914
Current portion of long-term debt	644,680
Total Current Liabilities	<u>1,039,342</u>
Noncurrent Liabilities	
Lease liability	361,218
Long-term debt	<u>13,569,256</u>
Total Noncurrent Liabilities	<u>13,930,474</u>
Total Liabilities	14,969,816
Net Position	
Net investment in capital assets	11,488,830
Restricted:	
Restricted for debt payment	760,450
Unrestricted	<u>551,061</u>
Total Net Position	<u>12,800,341</u>
Total Liabilities and Net Position	<u>\$ 27,770,157</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2022

			Primary Government
	Water	Sewer	Business-Type Activities
Program Revenue			
Service fees	\$ 604,607	2,643,567	3,248,174
Total Program Revenue	604,607	2,643,567	3,248,174
Expenses			
Salaries	194,177	644,774	838,951
Employee benefits	79,740	286,540	366,280
Board expense	15,643	49,537	65,180
Professional fees	35,078	135,745	170,823
Equipment maintenance and repair	5,069	47,122	52,191
Operating supplies	3,795	6,121	9,916
Vehicle maintenance and repair	7,945	30,292	38,237
Facility maintenance and repair	42,475	87,521	129,996
Dues and subscriptions	2,479	8,969	11,448
Fees, permits and certifications	17,014	29,777	46,791
Training and education	401	2,289	2,690
Travel	92	722	814
Insurance	34,722	121,682	156,404
Office supplies	1,655	7,057	8,712
Utilities, communications and telemetry	56,383	444,830	501,213
Chemicals and lab supplies	20,613	157,548	178,161
Laboratory testing	1,120	39,140	40,260
Small tools and rental	3,292	11,246	14,538
Sludge removal	-0-	19,484	19,484
Depreciation	148,387	727,361	875,748
Interest	13,883	117,177	131,060
Amortization, Right-of-use asset	-0-	12,340	12,340
Total Expenses	683,963	2,987,274	3,671,237
Net Program Revenue (Expense)	(79,356)	(343,707)	(423,063)

(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, 2022

			<u>Primary Government</u>
	<u>Water</u>	<u>Sewer</u>	<u>Business-Type Activities</u>
Net Program Revenue (Expense)	\$ (79,356)	(343,707)	(423,063)
General Revenues			
Property tax	38,262	419,059	457,321
Grants	-0-	30,640	30,640
Interest	146	461	607
Other	<u>12,642</u>	<u>27,352</u>	<u>39,994</u>
Total General Revenues	51,050	477,512	528,562
Contributed Capital	<u>-0-</u>	<u>19,790</u>	<u>19,790</u>
Increase (Decrease) in Net Position	\$ <u>(28,306)</u>	<u>153,595</u>	125,289
Net Position – Beginning of Year, As Previously Reported			12,720,079
Prior-period adjustment: Change in accounting principle			<u>(45,027)</u>
Net Position – Beginning of Year, Adjusted			<u>12,675,052</u>
Net Position – End of Year			<u><u>12,800,341</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, 2022

	<u>Primary Government Business-Type Activities</u>
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 3,093,413
Cash payments to suppliers for goods and services	(1,852,079)
Cash payments to employees for services	(880,346)
Other receipts	39,994
Net Cash Provided by Operating Activities	<u>400,982</u>
Cash Flows From Non-Capital Financing Activities:	
Receipt of property taxes	<u>457,321</u>
Net Cash Provided By Non-Capital Financing Activities	457,321
Cash Flows From Capital and Related Financing Activities:	
Capital contribution	34,307
Payments to lessors	(9,646)
Repayment of long-term debt	(714,547)
Interest paid on long-term debt & leases	<u>(130,117)</u>
Net Cash Used By Capital and Related Financing Activities	(820,003)
Cash Flows From Investing Activities:	
Purchase of capital assets	(258,606)
Interest received on cash and investments	607
Net Cash Used By Investing Activities	<u>(257,999)</u>
Net Decrease In Cash	(219,699)
Cash and Cash Equivalents - Beginning of Year	<u>1,067,580</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 847,881</u></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, 2022

	<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 in net position	\$ 125,289
Adjustments to reconcile increase in net	
position to net cash provided by	
operating activities:	
Depreciation	875,748
Amortization	12,340
Non-operating revenue	(477,718)
Non-operating expenses	131,060
(Increase) decrease in:	
Accounts receivable, net	(48,660)
Grant receivable	(30,640)
Other receivable	(126,024)
Prepaid expenses	(22,065)
Increase (decrease) in:	
Accounts payable	(27,691)
Accrued expenses	(30,580)
Deferred revenue	19,923
	<hr/>
Total adjustments	275,693
	<hr/>
Net Cash Provided By	
Operating Activities	\$ <u>400,982</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(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, 2022

(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, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

Leases

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

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

Lease assets are amortized within operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or, in the instance where title does not transfer at the end of the lease term, the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Property Taxes

Placer and Nevada Counties bill property taxes which attach as an enforceable lien on property. Property tax revenues are recognized when 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.

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, 2022 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, 2022, 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 12, 2023, which is the date the financial statements were available to be issued.

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standard

In June 2017, the GASB issued Statement No. 87, Leases. GASB No. 87 supersedes existing lease guidance. Among other things GASB No. 87 requires recognition of a right-of-use asset and liability for future lease payments for contracts that meet the definition of a lease and requires disclosure of certain information about leasing arrangements. The new guidance requires leases to be recognized on the balance sheet. The new guidance also results in a change in naming convention for leases historically classified as capital leases. Under the new guidance, these leases are now referred to simply as leases.

The District adopted the guidance effective July 1, 2021 by recognizing and measuring leases at the adoption date with a cumulative effect of initially applying the guidance recognized at the date of initial application and as a result did not restate prior period's financial statements. The District elected certain practical expedients permitted under the guidance as it was impractical to retrospectively restate prior financial statements due to the lack of availability of certain information. In addition, the District elected the short-term lease exception for all classes of assets, and therefore does not apply the recognition requirements for leases of 12 months or less.

The adoption of the standard resulted in the recognition of a lease ROU asset of \$493,600 (less accumulated amortization of \$157,849) and an operating lease liability of \$380,777. The net adjustment to Net Position at July 1, 2021 was a decrease of \$45,027.

(2) CASH AND INVESTMENTS

A summary of cash and investments held by the District at June 30, 2022 is as follows:

Cash on hand	\$	300
Cash on deposit at banks		844,191
Investments		3,390
	\$	<u>847,881</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(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>3,390</u>

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(3) CAPITAL ASSETS

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

	Balance June 30, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Land	\$ 72,623	-0-	-0-	-0-	72,623
Sewage collection, treatment and disposal facilities	30,999,371	78,900	1,769	-0-	31,076,502
Water treatment and distribution facilities	5,962,951	12,218	8,369	-0-	5,966,800
Water equipment	435,670	40,314	8,313	-0-	467,671
Water and sewage equipment	313,564	11,018	-0-	-0-	324,582
Vehicles	383,511	11,758	-0-	-0-	395,269
Office furniture and equipment	40,195	-0-	-0-	-0-	40,195
Construction in process	10,479	110,536	-0-	-0-	121,015
Total Capital Assets	<u>38,218,364</u>	<u>264,744</u>	<u>18,451</u>	<u>-0-</u>	<u>38,464,657</u>
Accumulated Depreciation	<u>11,818,090</u>	<u>875,748</u>	<u>18,451</u>	<u>-0-</u>	<u>12,675,387</u>
Net Book Value	<u>\$ 26,400,274</u>				<u>25,789,270</u>

(4) LEASES

The District leases land for its operations under a long term agreement that expires September 15, 2038. The District has the option to extend the lease for an additional 10 year term. Annual rent payments are due under the agreement in the amount of \$20,250.

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

Right-of-Use Asset	\$ 493,600
Accumulated Amortization	<u>(170,189)</u>
Right-of-Use Asset (Net)	<u>\$ 323,411</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(4) LEASES (CONTINUED)

As of June 30, 2022 the maturity of these lease payments are as follows:

<u>For the Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 9,914	10,336
2024	10,190	10,060
2025	10,474	9,776
2026	10,766	9,484
2027	11,066	9,184
2028 through 2032	60,127	41,123
2033 through 2037	68,978	32,272
2038 through 2042	79,133	22,117
2042 through 2047	90,783	10,467
2048	<u>19,701</u>	<u>549</u>
Total Lease Liability and Interest	371,132	<u><u>155,368</u></u>
Less Current Portion of Lease Liability	<u>9,914</u>	
Lease Liability Net of Current Portion	\$ <u><u>361,218</u></u>	

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

Amortization, Right-of-Use Asset	\$ 12,340
Interest	10,604

The discount rate regarding this lease calculation is 2.75%

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(5) LONG-TERM DEBT

Long-term debt as of June 30, 2022, 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.	\$ 13,310,802
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.	463,776
United States of America Department of Agriculture loan; collateralized by net revenues of the District; interest at 2.75%; interest and principal payable in annual installments of \$14,156; final payment due February 2061.	331,084
United States of America Department of Agriculture loan; collateralized by net revenues of the District; interest at 2.75% interest and principal payable in annual installments of \$5,814; final payment due February 2061.	135,981
Pacific Gas and Electric Company loan; uncollateralized; interest of 0%; principal payable in monthly installments of \$697; final payment due October 2028.	53,001
Pacific Gas and Electric Company loan; uncollateralized; interest at 0%; principal payable in monthly installments of \$61; final payment due May 2030.	<u>5,795</u>
Total Long-Term Debt	14,300,439
Less Debt Issuance Costs	(86,503)
Less Current Portion of Long-Term Debt	<u>(644,680)</u>
Long-Term Debt Net of Current Portion	<u>\$ 13,569,256</u>

(Continued)

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(5) LONG-TERM DEBT (CONTINUED)

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

Long-Term Debt - Beginning of Year	\$ 15,014,986
Repayment of Long-Term Debt	<u>(714,547)</u>
Long-Term Debt - End of Year	<u>\$ 14,300,439</u>

The annual requirements to amortize District long-term debt (direct borrowings) as of June 30, 2022 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 644,680	112,675	757,355
2024	658,615	107,834	766,449
2025	663,496	102,953	766,449
2026	668,418	98,031	766,449
2027	673,381	93,068	766,449
2028 through 2032	3,410,609	389,425	3,800,034
2033 through 2037	3,527,801	258,941	3,786,742
2038 through 2042	3,663,924	122,817	3,786,741
2043 through 2047	155,698	35,088	190,786
2048 through 2052	92,357	25,680	118,037
2053 through 2057	84,945	14,905	99,850
2058	56,515	3,122	59,637
	<u>\$ 14,300,439</u>	<u>1,364,539</u>	<u>15,664,978</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, 2022

(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, 2022 was \$3,684,224.

The proceeds of taxes limit adopted by the District for the year ended June 30, 2023 is \$3,916,699.

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.

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 \$20,500 (\$27,000 if employee will have obtained age 50 by the end of the calendar year), whichever is less. Additionally, if an employee participates in the plan then the District contributes an additional amount equal to 2% of their annual salary. This Plan is fully funded with Nationwide Retirement Solutions.

The required contributions for the year ended June 30, 2022 was \$68,798, with \$46,027 contributed to the Money Purchase Pension Plan and \$22,771 contributed to the 457 Deferred Compensation Plan. This amount was paid after June 30, 2022 and is included in Accrued Expenses.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(7) RETIREMENT PLANS (CONTINUED)

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.

(8) RISK MANAGEMENT

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

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

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

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

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(9) RESTRICTED NET POSITION - DEBT PAYMENT

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

(10) LEASE COMMITMENT

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

(11) DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

(12) CASH FLOW INFORMATION

During the fiscal year, the District implemented GASB 87, Lease Accounting. This resulted in a non-cash transaction effecting investing and financing activities in the amount of \$335,751 and 380,778, respectively.

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Notes to the Financial Statements

June 30, 2022

(13) 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, 2022

Assets

	<u>Primary Government</u> <u>Proprietary</u> <u>Fund</u>
Current Assets	
Cash	\$ 844,491
Investments	3,390
Total Cash and Cash Equivalents	<u>847,881</u>
Accounts receivable	267,247
Allowance for doubtful accounts	(1,000)
Net accounts receivable	<u>266,247</u>
Grants receivable	30,640
Other receivable	251,387
Prepaid expenses	<u>261,321</u>
Total Current Assets	1,657,476
Noncurrent Assets	
Capital assets, net	25,789,270
Right-of-Use asset, net	<u>323,411</u>
Total Noncurrent Assets	<u>26,112,681</u>
 Total Assets	 <u>\$ 27,770,157</u>

See the accompanying notes to the financial statements

DONNER SUMMIT PUBLIC UTILITY DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2022

Liabilities and Fund Balances

	<u>Primary Government</u>
	<u>Proprietary</u>
	<u>Fund</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 124,290
Accrued expenses	185,024
Interest payable	55,511
Deferred revenue	19,923
Current portion of lease liability	9,914
Current portion of long-term debt	644,680
Total Current Liabilities	<u>1,039,342</u>
Noncurrent Liabilities	
Lease liability	361,218
Long-term debt	<u>13,569,256</u>
Total Noncurrent Liabilities	<u>13,930,474</u>
Total Liabilities	14,969,816
Fund Balances	
Net investment in capital assets	11,488,830
Restricted:	
Restricted for debt payment	760,450
Unrestricted	<u>551,061</u>
Total Fund Balances	<u>12,800,341</u>
Total Liabilities and Fund Balances	<u>\$ 27,770,157</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, 2022

	Original Budget	Final Budget	Actual	Budget Variance (Over) Under
Program Revenue				
Service fees	\$ 3,337,469	3,396,279	3,248,174	148,105
Total Program Revenue	3,337,469	3,396,279	3,248,174	148,105
Expenses				
Salaries	885,882	885,882	838,951	46,931
Employee benefits	381,488	381,488	366,280	15,208
Board expense	61,846	61,846	65,180	(3,334)
Professional fees	177,050	177,050	170,823	6,227
Equipment maintenance and repair	58,970	58,970	52,191	6,779
Operating supplies	13,632	13,632	9,916	3,716
Vehicle maintenance and repair	18,643	18,643	38,237	(19,594)
Facility maintenance and repair	35,600	35,600	129,996	(94,396)
Dues and subscriptions	8,641	8,641	11,448	(2,807)
Fees, permits and certifications	53,335	53,335	46,791	6,544
Training and education	5,460	5,460	2,690	2,770
Travel	-0-	-0-	814	(814)
Insurance	156,404	156,404	156,404	-0-
Office supplies	8,935	8,935	8,712	223
Utilities, communications and telemetry	371,058	371,058	501,213	(130,155)
Chemicals and lab supplies	153,986	202,441	178,161	24,280
Laboratory testing	46,910	46,910	40,260	6,650
Small tools and rental	16,350	16,350	14,538	1,812
Inflow and infiltration	26,000	26,000	-0-	26,000
Sludge removal	44,200	44,200	19,484	24,716
Depreciation	-0-	-0-	875,748	(875,748)
Interest	104,442	104,442	131,060	(26,618)
Amortization Land Lease	20,250	20,250	12,340	7,910
Total Expenses	2,649,082	2,697,537	3,671,237	(973,700)
Operating Income (Loss)	688,387	698,742	(423,063)	1,121,805

(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, 2022

	Original Budget	Final Budget	Actual	Budget Variance (Over) Under
Operating Income (Loss)	\$ 688,387	698,742	(423,063)	1,121,805
General Revenues				
Property tax	135,001	135,001	457,321	(322,320)
Grants	-0-	-0-	30,640	(30,640)
Interest	-0-	-0-	607	(607)
Other	14,500	14,500	39,994	(25,494)
Total General Revenues	149,501	149,501	528,562	(379,061)
Contributed Capital	-0-	-0-	19,790	(19,790)
Increase in Fund Balance	\$ <u>837,888</u>	<u>848,243</u>	125,289	<u>722,954</u>
Fund Balance – Beginning of Year, As Previously Reported			12,720,079	
Prior-period adjustment: Change in accounting principle			<u>(45,027)</u>	
Fund Balance – Beginning of Year, Adjusted			<u>12,675,052</u>	
Fund Balance – End of Year			<u>\$ 12,800,341</u>	

See the accompanying notes to the financial statements

GIBSON & COMPANY, INC.**CERTIFIED PUBLIC ACCOUNTANT**

4600 NORTHGATE BLVD., SUITE 115 • SACRAMENTO, CALIFORNIA 95834-1121

(916) 484-1252

FAX (916) 484-1123

WEBSITE WWW.GIBSONCOCPA.COM

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, 2022, and the related notes to the financial statements, which collectively comprise the Donner Summit Public Utility District's basic financial statements, and have issued our report thereon dated January 12, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

Gibson + Company, Inc.
Certified Public Accountant

January 12, 2023
Sacramento, California