

**RIVER PINES PUBLIC UTILITY DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
River Pines Public Utility District  
River Pines, California

We have audited the accompanying financial statements of River Pines Public Utility District, as of and for the year ended June 30, 2013, as listed in the table of contents, and the related notes to the financial statements.

**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 an opinion 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 State Controller's Minimum Audit Requirements for California Special Districts. 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.

RIVER PINES PUBLIC UTILITY DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2013

ASSETS

Current assets:

Cash (Note 3)		\$ 23,403
LAIF		388,284
Accounts receivable - customers		<u>62,057</u>
Total current assets		473,744

Capital assets, at cost (Notes 4 and 5)	\$1,189,884	
Less, accumulated depreciation	<u>932,351</u>	
		257,533

Other assets:

Restricted cash (Note 3)	22,114	
Utility deposits	<u>375</u>	
		<u>22,489</u>
		\$ <u>753,766</u>

See notes to financial statements

## LIABILITIES AND NET POSITION

### Current liabilities:

Current portion of long-term debt (Note 5)	\$	9,500
Accounts payable		5,513
Accrued vacation		2,802
Accrued payroll taxes		-
Security deposits		<u>3,383</u>

Total current liabilities 21,198

Long-term debt, net of current  
portion (Note 5) 123,500

Total liabilities 144,698

### Net position:

Invested in capital assets, net  
of related debt \$ 124,533

Unrestricted 484,535

609,068

\$ 753,766

RIVER PINES PUBLIC UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
for the year ended June 30, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating revenues:			
Water sales	\$ 148,134	\$ -	\$ 148,134
Voluntary lock-off	823	822	1,645
Standby	4,377	4,387	8,764
Late fees	5,966	5,885	11,851
Sewer service	-	136,437	136,437
Other	<u>3,710</u>	<u>668</u>	<u>4,378</u>
Total operating revenues	<u>163,010</u>	<u>148,199</u>	<u>311,209</u>
Operating expenses:			
Source of supply	5,119	-	5,119
Pumping	13,227	-	13,227
Transmission and distribution	107,751	-	107,751
Administration	43,392	40,264	83,656
Depreciation	19,924	496	20,420
Collection	<u>-</u>	<u>77,193</u>	<u>77,193</u>
Total operating expense	<u>189,413</u>	<u>117,953</u>	<u>307,366</u>
Operating income (loss)	<u>( 26,403)</u>	<u>30,246</u>	<u>3,843</u>
Non-operating revenues (expenses):			
Property taxes	6,641	6,641	13,282
Interest income	592	591	1,183
Street lighting	<u>( 678)</u>	<u>( 678)</u>	<u>( 1,356)</u>
	<u>6,555</u>	<u>6,554</u>	<u>13,109</u>
Income (loss) before contributions (carried forward)	<u>( 19,848)</u>	36,800	16,952

See notes to financial statements

RIVER PINES PUBLIC UTILITY DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued  
 for the year ended June 30, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Income (loss) before contributions (carried forward)	\$( 19,848)	\$ 36,800	\$ 16,952
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	\$( <u>19,848</u> )	\$ <u>36,800</u>	16,952
Total net position:			
Beginning			<u>592,116</u>
Ending			\$ <u>609,068</u>

See notes to financial statements



RIVER PINES PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended June 30, 2013

Cash flows from operating activities:		
Receipts from customers		\$ 293,248
Payments to suppliers		( 196,284)
Payments to staff		<u>( 90,038)</u>
Net cash provided by operating activities		6,926
Cash flows from noncapital financing activities:		
Taxes revenue	\$ 13,282	
Street lighting	<u>( 1,356)</u>	
		11,926
Cash flows from capital and related financing activities:		
Purchase of capital assets	-	
Long-term debt-paid	<u>( 9,500)</u>	( 9,500)
Cash flows from investing activities:		
Interest income		<u>1,183</u>
Net increase in cash and cash equivalents		10,535
Cash at beginning of year		<u>423,266</u>
Cash at end of year		<u>\$ 433,801</u>

See notes to financial statements



RIVER PINES PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS, continued  
for the year ended June 30, 2013

Reconciliation of operating income (loss) to net cash provided by (to) operating activities:		
Operating income		\$ 3,843
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	\$ 20,420	
Changes in operating assets and liabilities:		
Receivables	( 19,317)	
Payables and accruals	780	
Customer deposits	<u>1,200</u>	
Total adjustments		<u>3,083</u>
Net cash provided by operating activities		\$ <u>6,926</u>

See notes to financial statements

RIVER PINES PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

1. Organization:

River Pines Public Utility District (the “District”) was formed in 1961 and provides water and sewer services. The District is governed by a Board of Directors which is elected by voters of the District.

2. Summary of Significant Accounting Policies:

The basic financial statements of River Pines Public Utility District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Fund Accounting

The District is an enterprise fund. All operations are accounted for as an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District’s books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

RIVER PINES PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Operating revenues and expenses, such as water sales along with water expenses, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Depreciation and Capital Assets

Capital assets are recorded on the basis of purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

Investments

The principal amount of District cash is invested with LAIF, a state local agency investment pool. All cash invested is within the State statutes.

RIVER PINES PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Property Taxes

Property tax revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis to match the operating statements.

RIVER PINES PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments:

At year-end the carrying amount of the District's deposits was \$23,403 and the bank balance was \$26,711. The bank balance was covered by Federal depository insurance.

	Balance June 30, <u>2013</u>
<u>Unrestricted:</u>	
Checking	\$ 23,283
Petty cash and change fund	<u>120</u>
	<u>\$ 23,403</u>
 <u>Restricted:</u>	
Savings – security deposits/standby	\$ 7,456
Debt service – California B&T	<u>14,658</u>
	<u>\$ 22,114</u>



RIVER PINES PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments, continued:

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor’s or P-1 by Moody’s Commercial Paper Record, bankers’ acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer’s Local Agency Investment Fund (LAIF). The investments at June 30, 2013 consist of:

	<u>Carrying Amount</u>	<u>Market Value</u>
LAIF	\$ <u>388,284</u>	\$ <u>388,284</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District’s funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2013 are as follows:

	<u>Balance 7-1-12</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6-30-13</u>
Land	\$ 14,198	\$ -	\$ -	\$ 14,198
Water system	1,126,027	-	-	1,126,027
Buildings	15,306	-	-	15,306
Equipment	26,693	-	-	26,693
Office equipment	<u>7,660</u>	<u>-</u>	<u>-</u>	<u>7,660</u>
	<u>\$1,189,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,189,884</u>

RIVER PINES PUBLIC UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt:

Long-term debt activities for the year ended June 30, 2013 consist of:

	<u>Balance</u> <u>2012</u>	<u>New</u> <u>Debt</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>2013</u>	<u>Current</u> <u>Portion</u>
State Department of Water Resources	\$ <u>142,500</u>	\$ <u>-</u>	\$ <u>9,500</u>	\$ <u>133,000</u>	\$ <u>9,500</u>

In 2008 the District entered into a loan agreement with the State of California, Department of Water Resources under provision of the SDWSRF Program; also, a loan reserve of \$9,500 is required.

The loan requires semi-annual payments of \$4,750, non-interest bearing.

Future annual maturities of this loan are as follows:

	<u>Principal</u> <u>(Total)</u>
2014	\$ 9,500
2015	9,500
2016	9,500
2017	9,500
2018	9,500
2019-2023	47,500
2024-2028	<u>38,000</u>
	<u>\$133,000</u>