

**RIVER PINES PUBLIC UTILITY DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2018**

**ROBERT W. JOHNSON**  
**Certified Public Accountant**

## TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4-5
Statement of Cash Flows	6-7
Notes to Financial Statements	8-14
Supplemental Information:	
Principal Officials	16



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of River Pines Public Utility District, as of and for the year ended June 30, 2018, 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.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Pines Public Utility District as of June 30, 2018, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

### **Other Matters**

#### *Required Supplementary Information*

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Robert W. Johnson, An Accounting Corporation*

Citrus Heights, California  
July 27, 2018

RIVER PINES PUBLIC UTILITY DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2018

ASSETS

Current assets:			
Cash (Note 3)		\$ 37,608	
LAIF		299,635	
Accounts receivable – customers, net of \$37,000 for doubtful accounts		31,761	
Prepaid expense		<u>7,779</u>	
Total current assets			376,783
Capital assets, at cost (Notes 4 and 5)		\$1,642,073	
Less, accumulated depreciation		<u>1,086,420</u>	
		555,653	
Work in progress		<u>430,756</u>	
			986,409
Other assets:			
Restricted cash (Note 3)		53,862	
Utility deposits		<u>828</u>	
			<u>54,690</u>
			<u>\$1,417,882</u>

See notes to financial statements

## LIABILITIES AND NET POSITION

Current liabilities:		
Current portion of long-term debt (Note 5)	\$	9,500
Accounts payable		15,016
Accrued vacation		-
Security deposits		3,933
Deferred grant proceeds (Note 7)		<u>421,511</u>
Total current liabilities		449,960
Long-term debt, net of current portion (Note 5)		<u>66,500</u>
Total liabilities		516,460
Net position:		
Invested in capital assets, net of related debt	\$	910,409
Restricted – capital improvement reserve		3,010
Unrestricted		<u>( 11,997)</u>
		<u>901,422</u>
		<u>\$1,417,882</u>

RIVER PINES PUBLIC UTILITY DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 for the year ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating revenues:			
Water sales	\$ 176,188	\$ -	\$ 176,188
Voluntary lock-off	1,645	1,066	2,711
Standby	4,426	4,425	8,851
Late fees	2,958	2,889	5,847
Sewer service	-	129,360	129,360
Other	<u>2,285</u>	<u>586</u>	<u>2,871</u>
Total operating revenues	<u>187,502</u>	<u>138,326</u>	<u>325,828</u>
Operating expenses:			
Source of supply	7,151	-	7,151
Pumping	16,264	-	16,264
Transmission and distribution	90,466	-	90,466
Administration	50,159	43,517	93,676
Depreciation	26,427	15,784	42,211
Collection	<u>-</u>	<u>133,519</u>	<u>133,519</u>
Total operating expense	<u>190,467</u>	<u>192,820</u>	<u>383,287</u>
Operating income (loss)	<u>( 2,965)</u>	<u>( 54,494)</u>	<u>( 57,459)</u>
Non-operating revenues			
(expenses):			
Property taxes	10,429	10,932	21,361
Interest income	19	2,831	2,850
Street lighting	( 734)	( 733)	( 1,467)
Wireless site lease	3,000	3,000	6,000
FEMA grants, net	3,094	( 884)	2,210
Sale of equipment	1,250	1,251	2,501
Bad debt expense	<u>-</u>	<u>-</u>	<u>-</u>
	<u>17,058</u>	<u>16,397</u>	<u>33,455</u>
Income (loss)			
before contributions			
(carried forward)	14,093	( 38,097)	( 24,004)

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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Income (loss) before contributions (carried forward)	\$ 14,093	\$( 38,097)	\$( 24,004)
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 14,093</u>	<u>\$( 38,097)</u>	<u>( 24,004)</u>
Total net position:			
Beginning			<u>925,426</u>
Ending			<u>\$ 901,422</u>

See notes to financial statements



RIVER PINES PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended June 30, 2018

Cash flows from operating activities:		\$ 326,704
Receipts from customers		( 80,535)
Payments to suppliers		<u>          -</u>
Payments to staff		
Net cash provided by operating activities		246,169
Cash flows from noncapital financing activities:		
Taxes revenue	\$ 21,361	
Street lighting	( 1,467)	
Wireless site lease	6,000	
Bad debt expense	<u>          -</u>	
		25,894
Cash flows from capital and related financing activities:		
Fema grants, net	2,210	
Purchase of capital assets	(267,658)	
Long-term debt-paid	( 9,500)	
Proceeds from sale of equipment	<u>2,501</u>	
		( 272,447)
Cash flows from investing activities:		
Interest income		<u>2,850</u>
		2,466
Net increase in cash and cash equivalents		<u>388,639</u>
Cash at beginning of year		<u>\$ 391,105</u>
Cash at end of year		

See notes to financial statements

RIVER PINES PUBLIC UTILITY DISTRICT  
 STATEMENT OF CASH FLOWS, continued  
 for the year ended June 30, 2018

Reconciliation of operating income (loss) to net cash provided by (to) operating activities:		\$( 57,459)
Operating loss		
Adjustments to reconcile operating income (loss) to net cash provided to operating activities:		
Depreciation expense	\$ 42,211	
Changes in operating assets and liabilities:		
Receivables	576	
Prepaid expenses	( 7,779)	
Payables and accruals	12,558	
Customer deposits	300	
Utility deposits	-	
Deferred grant proceeds	<u>255,762</u>	
Total adjustments		<u>303,628</u>
Net cash provided by operating activities		<u>\$ 246,169</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 \$91,470 and the bank balance was \$92,690. The bank balance was covered by Federal depository insurance.

	Balance June 30, <u>2018</u>
<u>Unrestricted:</u>	
Checking (4)	\$ 37,533
Petty cash and change fund	<u>75</u>
	<u>\$ 37,608</u>
 <u>Restricted:</u>	
Checking – capital improvements	\$ 3,010
Savings – security deposits/standby	33,931
Debt service – California B&T	<u>16,921</u>
	<u>\$ 53,862</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, 2018 consist of:

	<u>Carrying Amount</u>	<u>Market Value</u>
LAIF	\$ <u>299,635</u>	\$ <u>299,635</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, 2018 are as follows:

	<u>Balance 7-1-17</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance 6-30-18</u>
Land	\$ 15,263	\$ -	\$ -	\$ 15,263
System	1,396,586	-	-	1,396,586
Buildings	83,582	2,650	-	86,232
Equipment	146,871	-	12,671	134,200
Office equipment	<u>9,792</u>	<u>-</u>	<u>-</u>	<u>9,792</u>
	<u>\$1,652,094</u>	<u>\$ 2,650</u>	<u>\$ 12,671</u>	<u>\$1,642,073</u>
Work in progress – DWSRF	<u>\$ 165,748</u>	<u>\$ 265,008</u>	<u>\$ -</u>	<u>\$ 430,756</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, 2018 consist of:

	<u>Balance 2017</u>	<u>New Debt</u>	<u>Debt Retired</u>	<u>Balance 2018</u>	<u>Current Portion</u>
State Department of Water Resources	\$ <u>85,500</u>	\$ <u>-</u>	\$ <u>9,500</u>	\$ <u>76,000</u>	\$ <u>9,500</u>

In 1999 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 (Total)</u>
2019	\$ 9,500
2020	9,500
2021	9,500
2022	9,500
2023	9,500
2024-2026	<u>28,500</u>
	<u>\$ 76,000</u>



RIVER PINES PUBLIC UTILITY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued

6. Risk of Loss:

River Pines Public Utility District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2018 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

7. Grants:

At June 30, 2018 grant revenue consists of:

	<u>Grant Award</u>	<u>Received to Date</u>
DWSRF		
Storage & distribution rehab – planning	\$ <u>441,710</u>	\$ <u>421,511</u>

8. Cooperative Agreement:

On September 13, 2017 the District signed an agreement with Amador Water Agency (AWA) to have AWA provide certain services in connection with the District's water and wastewater systems.

AWA will perform all daily operations and required maintenance of the water and wastewater system, including all regulatory sampling, regulatory reporting and maintenance. In addition, the Agreement sets out various support services to be provided by AWA.

The Agreement is to be in effect for a five year period and also provides for monthly compensation to AWA at various rates.

The District incurred 2017-18 expense of \$119,621 for AWA costs.

**SUPPLEMENTAL INFORMATION**

RIVER PINES PUBLIC UTILITY DISTRICT  
PRINCIPAL OFFICIALS  
June 30, 2018

Board of Directors:

Richard Miller	Chairperson
Rosco Raymond	Vice Chairperson
Patrick Henry	Director
Anita Ebbinghausen	Director
Mark Etter	Director

Operations:

Candi Bingham	General Manager
Amador Water Agency	Operator
Gisele Wurzburger	Board Clerk