

**RIVER PINES PUBLIC UTILITY DISTRICT**

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**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**for the year ended June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

**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, 2016, 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, 2016, 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 Accountancy Corporation*

Citrus Heights, California  
September 19, 2016

RIVER PINES PUBLIC UTILITY DISTRICT  
 STATEMENT OF NET POSITION  
 June 30, 2016

ASSETS

	Current assets:
	Cash (Note 3)
\$ 19,892	LAIF
320,498	Accounts receivable – customers
85,363	Total current assets
<u>425,753</u>	
	Capital assets, at cost (Notes 4 and 5)
\$1,640,960	Less, accumulated depreciation
1,015,908	Work in progress
<u>625,052</u>	Other assets:
28,253	Restricted cash (Note 3)
41,278	Utility deposits
<u>828</u>	
42,106	
<u>\$1,121,164</u>	

See notes to financial statements  
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LIABILITIES AND NET POSITION

	Current liabilities: Current portion of long-term debt (Note 5) 9,500 Accounts payable 124 Accrued vacation 8,121 Security deposits 5,033 Deferred grant proceeds 28,253 <hr/> Total current liabilities 51,031
	Long-term debt, net of current portion (Note 5) Total liabilities 136,531
	Net position: Invested in capital assets, net of related debt \$ 558,305 Unrestricted 426,328 <hr/> Total 984,633
	Total liabilities and net position \$1,121,164

RIVER PINES PUBLIC UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
for the year ended June 30, 2016

	Water	Sewer	Combined
Operating revenues:			
Water sales	\$ 138,663	\$ -	\$ 138,663
Voluntary lock-off	1,243	1,243	2,486
Standby	4,354	4,362	8,716
Late fees	5,338	5,317	10,655
Sewer service	-	120,116	120,116
Other	3,863	1,455	5,318
<u>Total operating revenues</u>	<u>153,461</u>	<u>132,493</u>	<u>285,954</u>
Operating expenses:			
Source of supply	6,278	-	6,278
Pumping	15,238	-	15,238
Transmission and distribution	87,651	-	87,651
Administration	51,398	46,386	97,784
Depreciation	22,636	14,472	37,108
Collection	-	81,582	81,582
<u>Total operating expense</u>	<u>183,201</u>	<u>142,440</u>	<u>325,641</u>
Operating income (loss)	( 29,740)	( 9,947)	( 39,687)
Non-operating revenues (expenses):			
Property taxes	6,496	6,496	12,992
Interest income	705	705	1,410
Street lighting	( 987)	( 987)	( 1,974)
Sale of equipment	-	5,000	5,000
Grant revenues	111,723	9,030	120,753
Grant expenses	( 99,953)	-	( 99,953)
<u>Non-operating revenues (expenses):</u>	<u>17,984</u>	<u>20,244</u>	<u>38,228</u>
Income (loss) before contributions (carried forward)	( 11,756)	10,297	( 1,459)

See notes to financial statements  
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RIVER PINES PUBLIC UTILITY DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued  
 for the year ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Income (loss)			
before contributions			
(carried forward)	\$( 11,756)	\$ 10,297	\$( 1,459)
Capital contributions	-	-	-
Change in net position	\$( 11,756)	\$ 10,297	( 1,459)
Total net position:			
Beginning			<u>986,092</u>
Ending			<u>\$ 984,633</u>

See notes to financial statements  
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RIVER PINES PUBLIC UTILITY DISTRICT  
 STATEMENT OF CASH FLOWS  
 for the year ended June 30, 2016

Cash flows from operating activities:		
Receipts from customers		\$ 286,156
Payments to suppliers		( 190,443)
Payments to staff		( 69,754)
Net cash provided by operating activities		25,959
Cash flows from noncapital financing activities:		
Taxes revenue	\$ 12,992	
Street lighting	( 1,974)	
Sale of equipment	5,000	
Cash flows from capital and related financing activities:		
Grant income	120,753	
Grant expenses	( 99,953)	
Purchase of capital assets	( 98,908)	
Long-term debt-paid	( 9,500)	
Cash flows from investing activities:		
Interest income	1,410	
Net decrease in cash and cash equivalents		( 44,221)
Cash at beginning of year		425,889
Cash at end of year		\$ 381,668

RIVER PINES PUBLIC UTILITY DISTRICT  
 STATEMENT OF CASH FLOWS, continued  
 for the year ended June 30, 2016

Reconciliation of operating income (loss) to net cash		
provided by (to) operating activities:		
Operating loss		\$( 39,687)
Adjustments to reconcile operating		
income (loss) to net cash provided to		
operating activities:		
Depreciation expense	\$ 37,108	
Changes in operating assets and liabilities:		
Receivables	703	
Payables and accruals	83	
Customer deposits	( 501)	
Utility deposits	-	
Deferred grant proceeds	28,253	
Total adjustments		65,656
Net cash provided by		
operating activities		<u>\$ 25,959</u>

See notes to financial statements  
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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.

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 \$61,170 and the bank balance was \$63,496. The bank balance was covered by Federal depository insurance.

Balance	June 30,	2016		
		\$ 19,817	Checking (3)	Petty cash and change fund
		75		
		\$ 19,892		
			<u>Restricted:</u>	
			Savings – security deposits/standby	Debt service – California B&T
		\$ 25,412		
		15,866		
		\$ 41,278		

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, 2016 consist of:

Market Value	Carrying Amount	LAIF
<u>\$ 320,498</u>	<u>\$ 320,498</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, 2016 are as follows:

Balance 7-1-15	Additions	Transfers/ Disposals	Balance 6-30-16
\$ 15,263	-	-	\$ 15,263
1,355,658	40,928	-	1,396,586
80,363	3,219	-	83,582
96,930	38,807	-	135,737
9,198	594	-	9,792
<u>\$1,557,412</u>	<u>\$ 83,548</u>	<u>\$ -</u>	<u>\$1,640,960</u>
\$ 12,893	\$ 28,253	\$ 12,893	\$ 28,253

RIVER PINES PUBLIC UTILITY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt:

Long-term debt activities for the year ended June 30, 2016 consist of:

Current Portion	Balance 2016	Retired Debt	New Debt	Balance 2015	State Department of Water Resources
<u>\$ 9,500</u>	<u>\$ 95,000</u>	<u>\$ 9,500</u>	<u>\$ -</u>	<u>\$ 104,500</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:

Principal (Total)	2017	2018	2019	2020	2021	2022-2026
\$ 9,500	9,500	9,500	9,500	9,500	9,500	47,500
<u>\$ 95,000</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 2016 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

7. Grants:

At June 30, 2016 grant revenue consists of:

<u>Grant</u>	<u>Award</u>	<u>Received</u>
2016	2016	2016
ECWAG (USDA) Well 3R and Well 2 deepened	\$392,000	\$ 25,800
SRAFFP (CAL Fire)	179,933	28,253
CDBG Community Block planning grant	95,000	94,953
	<u>\$666,933</u>	<u>\$149,006</u>

SUPPLEMENTAL INFORMATION

RIVER PINES PUBLIC UTILITY DISTRICT  
PRINCIPAL OFFICIALS  
June 30, 2016

Board of Directors:

Cathy Landgraf

Michael Gardner

René Walden-Qualls

Anita Ebbinghausen

Richard Miller

Chairperson

Vice Chairperson

Director

Director

Director

Staff:

Candi Bingham

Gregory Guina

General Manager

Chief Plant Operator