

SIERRAVILLE PUBLIC UTILITY DISTRICT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2020

SIERRAVILLE PUBLIC UTILITY DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sierraville Public Utility District
Sierraville, California

We have audited the accompanying financial statements of the governmental activities of Sierraville Public Utility District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the Sierraville Public Utility District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 & 4 and 13, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sierraville Public Utility District's financial statements, as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements and accordingly we do not express an opinion or provide any assurance on them.


BODEN KLEIN & SNEESBY
A Professional Corporation

Roseville, California
February 12, 2021

**SIERRAVILLE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2020**

The following discussion and analysis of the Sierraville Public Utility District (the District) and its financial performance provides an overview of the District's financial activities, prepared by its management for the year ending June 30, 2020. This discussion and analysis should be read in conjunction with the District financial statements and accompanying notes, which follow this section.

1. The base rate is \$41.00 per equivalent dwelling unit (EDU) as of July 1, 2006.
2. The water allotment per EDU remains at 40,000 gallons per month.
3. The cost per gallon for delivery of water consumed above the 40,000 monthly allotment is .0035 per gallon.
 - Overage for the winter months (Oct. 2019-May 2020) was billed in June 2020.
 - Overage for June, July, August and September was billed by the 10th (and after April, the 5th) of the month following the overage
4. A business model is being continually improved for efficiency and better customer service.
 - SPUD continued to improve rate payer service.
 - SPUD created a finance committee, which holds regular monthly meetings to review bank records, analyze transactions, and compare spending with the current budget.
5. Reserve funds were established:
 - Rural Utility Service Loan: \$16,250
 - Maintenance: A minimum of \$12,015
 - Improvement and Expansion Fund: \$75,156
 - Capital Outlay: \$25,595

Operational Plan Accomplishments:

1. SPUD continued a contract with Rose Water System Management as Certified System Operator.
2. SPUD executed a new contract for meter reading with Loylton resident Taylor Hauff.
3. SPUD executed a new contract with Hauff Excavating for major repairs and improvements on an as needed basis.

**SIERRAVILLE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2020**

4. The State and Federal governments have made available emergency funds to meet the new requirements. SPUD continued a contract with a grant writer to manage the grant requests. Her expenses will be reimbursed by the grants, according to government representatives. SPUD board members have been in continual conversations with representatives at the State and Federal levels who are advising the district on grant qualifications and options. SPUD continues researching for funding for a secondary water source (well).
5. SPUD continues to encourage water conservation amongst its water payers.
6. SPUD ordered repairs and maintenance of the water system where needed.
7. SPUD was approved for a USDA Grant/Loan to replace an existing unused water storage tank.
8. SPUD continued to keep ratepayer delinquencies to a minimum.
9. SPUD maintains a 5-member board of directors

This financial report is designed to give ratepayers a general overview of the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have any questions about this report or need additional information, please write to P.O. Box 325, Sierraville, CA 96126.

SIERRAVILLE PUBLIC UTILITY DISTRICT

Statement of Net Position

June 30, 2020

ASSETS

Current assets	
Cash	\$ 289,476
Accounts receivable	<u>7,973</u>
Total current assets	297,449
Capital assets	
Land/easements	35,937
Other capital assets, net of depreciation	<u>1,104,450</u>
Total capital assets, net of depreciation	<u>1,140,387</u>
TOTAL ASSETS	<u><u>\$ 1,437,836</u></u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 4,741
Current portion of long-term debt	<u>11,872</u>
Total current liabilities	16,613
Long-term debt	
Loans payable, net of current portion	<u>528,128</u>
TOTAL LIABILITIES	<u><u>544,741</u></u>

NET POSITION

Net Position	
Net investment in capital assets	600,387
Restricted	2,668
Unrestricted	<u>290,040</u>
TOTAL NET POSITION	<u><u>\$ 893,095</u></u>

See notes to financial statements.

SIERRAVILLE PUBLIC UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Operating revenues	
Water sales	\$ 70,392
Government grants	305,460
Total operating revenues	<u>375,852</u>
Operating expenses	
Pumping	4,928
Treatment	19,751
Transmission and distribution	5,799
General and administrative	29,245
Depreciation	37,154
Total operating expenses	<u>96,877</u>
Operating revenue	<u>278,975</u>
Non-operating revenue (expenses)	
Property taxes	24,951
Interest income	502
Interest expense	(9,073)
Total non-operating revenue	<u>16,380</u>
CHANGE IN NET POSITION	295,355
Beginning net position	<u>597,740</u>
ENDING NET POSITION	<u>\$ 893,095</u>

See notes to financial statements.

SIERRAVILLE PUBLIC UTILITY DISTRICT

Statement of Cash Flows
For the Year Ended June 30, 2020

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 278,975
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	37,154
Changes in operating assets and liabilities:	
Receivables	(1,978)
Payables	<u>(289)</u>
Net cash provided by operating activities	<u>313,862</u>
Cash flows from noncapital financing activities:	
Property taxes	<u>24,951</u>
Cash flows from capital and related financing:	
Principal payments - loans	(5,500)
Loan proceeds	91,954
Investment in fixed assets	(543,402)
Interest expense	<u>(9,073)</u>
Total non-operating expense	<u>(466,021)</u>
Cash flows from investing activities:	
Interest income	<u>502</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(126,706)
Cash at beginning of year July 1, 2019	<u>416,182</u>
CASH AT END OF YEAR, JUNE 30, 2020	<u>\$ 289,476</u>
Supplementary information	
Cash paid for interest	<u>\$ 9,073</u>

See notes to financial statements.

SIERRAVILLE PUBLIC UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 Organization

Sierraville Public Utility District (the "District") was organized in 1945 to provide water for residents of the District.

The District is governed by a Board of Directors which is elected by voters of the Districts.

Note 2 Summary of Significant Accounting Policies

The accounting policies of Sierraville Public Utility District conform to generally accepted accounting principles applicable to enterprise funds. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 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.

SIERRAVILLE PUBLIC UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 Summary of Significant Accounting Policies, continued

Depreciation and Amortization

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.

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.

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.

Note 3 Cash and Investments

Cash and investments consist of the following at June 30, 2020:

Cash in bank – checking	\$ 14,485
Cash in bank – construction account	2,668
Cash in bank – savings	<u>272,323</u>
	<u>\$ 289,476</u>

All deposits were covered by Federal depository insurance.

SIERRAVILLE PUBLIC UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 4 Capital Assets

Changes in capital assets consist of:

	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/20</u>
Land	\$ 6,746	\$ -	\$ -	\$ 6,746
Easement	29,191	-	-	29,191
Tank Project	135,125	535,518	-	670,643
Building	13,820	-	-	13,820
Underground lines	650,000	-	-	650,000
Pumping equipment	263,283	-	-	263,283
Equipment	<u>5,019</u>	<u>7,885</u>	<u>-</u>	<u>12,904</u>
	1,103,184	543,403	-	1,646,587
Accumulated Depreciation	(<u>469,046</u>)	(<u>37,154</u>)	<u>-</u>	(<u>506,200</u>)
Capital Assets, net of depreciation	<u>\$ 634,138</u>	<u>\$ 506,249</u>	<u>\$ -</u>	<u>\$1,140,387</u>

Depreciation expense for the
year ended June 30, 2020 \$ 37,1541

Note 5 Net Investment in Capital Assets

	<u>Total</u>
Capital Assets	\$ 1,140,387
Less: related debt	(<u>540,000</u>)
Net investment in capital assets:	<u>\$ 600,387</u>

SIERRAVILLE PUBLIC UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 6 Long-Term Debt

Long-term liabilities at June 30, 2020, consisted of the following:

	June 30, 2019	Additions	Reductions	June 30, 2020
USDA Loan No. 1	\$ 170,500	\$ -	\$ (5,500)	\$ 165,000
USDA Loan No. 2	-	375,000	-	375,000
Total	<u>\$ 170,500</u>	<u>\$ 375,000</u>	<u>\$ (5,500)</u>	<u>\$ 540,000</u>

The current and long-term amounts due as of June 30, 2020 consisted of the following:

<u>Current</u>	<u>Long-Term</u>
<u>\$ 11,872</u>	<u>\$ 528,128</u>

USDA Loan No. 1

In 1999 the District entered into a loan with the US Dept. of Agriculture (USDA) or \$241,700 (water system improvement). The loan bears interest at a rate of 4.50%, per annum.

USDA Loan No. 1 payments for the year ended June 30,

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 7,301	\$ 5,500	\$ 12,801
2022	7,043	6,000	13,043
2023	6,773	6,000	12,773
2024	6,491	6,500	12,991
2025	6,187	7,000	13,187
2026 – 2030	25,920	39,000	64,920
2031 – 2035	16,155	48,000	64,155
2036 – 2039	<u>4,343</u>	<u>47,000</u>	<u>51,343</u>
	<u>\$ 80,213</u>	<u>\$ 165,000</u>	<u>\$ 245,213</u>

SIERRAVILLE PUBLIC UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

USDA Loan No. 2

In 2019 the District entered into a loan with the US Dept. of Agriculture (USDA) for \$375,000 (water tank project). The loan bears interest at 1.875%, per annum, with interest paid semi-annually; principal payments are made annually in November through 2059. As of June 30, 2020, USDA has disbursed \$375,000 of the total loan.

USDA Loan No. 2 payments for the year ended June 30,

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 7,002	\$ 6,372	\$ 13,374
2022	6,881	6,493	13,374
2023	6,759	6,615	13,374
2024	6,635	6,739	13,374
2025	6,518	6,866	13,374
2026 – 2030	30,548	36,322	66,870
2031 – 2035	26,994	39,876	66,870
2036 – 2040	23,096	43,774	66,870
2041 – 2045	18,815	48,055	66,870
2046 – 2050	14,115	52,755	66,870
2051 – 2055	8,955	57,915	66,870
2056 – 2060	<u>3,290</u>	<u>63,218</u>	<u>66,508</u>
	<u>\$ 159,598</u>	<u>\$ 375,000</u>	<u>\$ 534,598</u>

Note 7 Risk of Loss

Sierraville 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 2020 fiscal year, the District purchased certain commercial insurance coverage to provide for these risks.

Note 8 Subsequent Events

The District's management has evaluated the potential for subsequent events through the available for issuance date of the financial statements February 12, 2021.

SIERRAVILLE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

**SIERRAVILLE PUBLIC UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Water service fees & county taxes	\$ 83,733	\$ 84,193	\$ 95,343	\$ 11,150
Government grants	-	-	305,460	305,460
Interest	450	367	502	135
Total Revenues	<u>84,183</u>	<u>84,560</u>	<u>401,305</u>	<u>316,745</u>
Expenditures:				
Billing/bookkeeping service	12,173	9,175	10,550	(1,375)
Water system	25,802	18,816	-	18,816
Operator	-	-	22,080	(22,080)
Water testing	-	-	2,350	(2,350)
Maint, repairs & supplies	1,405	-	2,241	(2,241)
Meter reading	-	2,153	1,350	803
Utilities	4,370	1,690	1,615	75
Office expense, supplies & postage	780	2,686	2,838	(152)
Return check and bank fees	-	280	290	(10)
Memberships & dues	-	816	758	58
Insurance	3,121	3,060	3,225	(165)
Taxes/license/permits	884	193	1,052	(859)
Professional service (legal & accounting)	-	3,500	11,374	(7,874)
Miscellaneous	4,006	3,927	-	3,927
Interest	-	-	9,073	(9,073)
Depreciation	-	-	37,154	(37,154)
Debt service	26,449	12,785	-	12,785
Total Expenditures	<u>78,990</u>	<u>59,081</u>	<u>105,950</u>	<u>(46,869)</u>
Excess of Revenues Over Expenditures	5,193	25,479	295,355	269,876
Fund Balance, beginning of year	<u>597,740</u>	<u>597,740</u>	<u>597,740</u>	<u>-</u>
Fund Balance, end of year	<u><u>\$ 602,933</u></u>	<u><u>\$ 623,219</u></u>	<u><u>\$ 893,095</u></u>	<u><u>\$ 269,876</u></u>

SIERRAVILLE PUBLIC UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the authority is required to present a Schedule of Revenues, Expenditures and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget and the actual revenue and expenditures of the General Fund.

SIERRAVILLE PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

JUNE 30, 2020

SIERRAVILLE PUBLIC UTILITY DISTRICT

Operating Expenses
For the Year Ended June 30, 2020

Pumping		
Electricity	\$ 1,615	
Water system management	3,313	
Total pumping expenses		\$ 4,928
Treatment		
Water system management	16,560	
Water testing	2,350	
Taxes and licenses	841	
Total treatment		19,751
Transmission and distribution		
Repairs and hookups	2,241	
Meter reading	1,350	
Water system management	2,208	
Total transmission and distribution		5,799
General and administrative		
Billing and bookkeeping	10,550	
Insurance	3,225	
Legal	4,019	
Audit/accounting fee	7,355	
Office/supplies	2,838	
Dues and subscriptions	758	
Taxes and licenses	210	
Bank charges	290	
Total general and administrative		29,245
Depreciation		37,154
TOTAL OPERATING EXPENSES		\$ 96,877