

AMADOR REGIONAL SANITATION AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Amador Regional Sanitation Authority
Sutter Creek, California

We have audited the accompanying financial statements of the governmental activities of the Amador Regional Sanitation Authority (Authority), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority'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.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

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 Amador Regional Sanitation Authority, as of June 30, 2015 and 2014, the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance 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 on pages 3-7 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.

Goranson and Associates, Inc.

April 27, 2016

Santa Rosa, California

AMADOR REGIONAL SANITATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014

Management's Discussion and Analysis

This section of the Authority's Financial Statement presents our analysis of the Authority's financial performance for the Fiscal Year that ended June 30, 2015 and 2014. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

The Authority's Operation – an Overview

The Authority is a Joint Powers Authority formed pursuant to Articles I and II (commencing with Section 6500) of Chapter 5, Division 7, of Title I of the California Government Code in 1978 to operate and manage the wastewater disposal from the City of Sutter Creek, Amador City and parts of Amador County aka Martell – the Amador County Outfall System. The major activities of the Authority include the disposal of domestic wastewater from the Wastewater Treatment Plant (WWTP) in the City of Sutter Creek through spray and flood irrigation on local ranches along the Outfall pipeline and series of reservoirs leased from the State of California. The operation and maintenance of the Outfall System is funded through service fees from each participating member based on their volume of effluent going through the Sutter Creek WWTP, while capital improvements would necessitate funding through grants and low interest loans through the State Water Resources Control Board, US EPA, or other public funding agency. Loans would be repaid through service fees, although there are no such loans existing at this time. The Authority receives no tax monies from the County or State.

When the Authority was formed in 1978, the Authority undertook a major design and construction project establishing the Outfall System. The System has undergone some repairs and improvement over the years, but there has not been a major renovation and most of the assets are at the end of their useful life. The Authority had a DRAFT Master Plan developed for the purposes of evaluating wastewater management options and selecting a wastewater management plan for a 25-year planning period. This Master Plan is still waiting for additional data for completion. Additionally, ARSA, the California Department of Corrections and Rehabilitation, and the City of Lone, with the help of a Grant from the SWRCB, undertook a Regional Water Recycling Feasibility Study. This report is still in DRAFT form and waiting for additional data as well. With information from both reports, it became evident several issues need to be addressed in order to meet the stringent requirements of our long term WDR requirements and storage requirements for a 100 year event. The Board is proceeding with an application with the SWRCB, through Prop1, for a planning grant for a conceptual design to address the long term viability of the ARSA's Outfall System as well as the immediate repair needs addressed in the two studies. Construction on the needed repairs and improvements will be addressed after the completion of the planning process

AMADOR REGIONAL SANITATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014

Financial Highlights

- Cash and cash equivalents decreased over the last year by \$61,426 for the fiscal year ended June 30, 2015 and increased by \$102,895 for the year ended June 30, 2014.
- Fixed Assets decreased by \$450,000 in addition to the normal depreciation expense over the same period reflecting the reclassification of a long term Note Receivable and accumulated depreciation on assets.
- Total assets exceeded total liabilities by \$1,534,757 and \$1,620,780 for the years ended June 30, 2015 and 2014; of which \$1,119,902 and \$1,193,990 is reported as unrestricted net position and may be used to meet ongoing operations.

Basic Financial Statements

In accordance with the Government Accounting Standards Board (GASB) Statement No. 34, the Authority's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position includes the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The difference between the assets and liabilities is shown as net position. This statement also provides the basis of evaluating the capital structure of the Authority and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net position accounts for the current year's revenues and expenses. This statement measures the success of the Authority's operations over the past year and determines whether the Authority has recovered its costs through user fees and other charges.

The final required statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operations and investments during the reporting period.

The notes to the basic financial statements provide a description of the accounting policies used to prepare the financial statements and present disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

AMADOR REGIONAL SANITATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014

Financial Analysis

Net Position. Over time, changes in net position may indicate whether the financial position of the Authority is improving or deteriorating. Net position decreased to \$1,534,757 during the fiscal year ended June 30, 2015, a change of \$86,023 from the fiscal year ended June 30, 2014. Net position increased to \$1,620,780 for the fiscal year ended June 30, 2014, a change of \$9,651 from the fiscal year ended June 30, 2013 after taking into account the prior period adjustment. The following table summarizes the net position for the Authority's activities:

NET POSITION

	2015	2014
Current and other assets	\$ 586,534	\$ 633,936
Capital assets	414,855	426,790
Other non-current assets	564,075	562,815
Total assets	<u>1,565,464</u>	<u>1,623,541</u>
 Total liabilities	 <u>\$ 30,707</u>	 <u>\$ 2,761</u>
 Net investment in capital assets	 \$ 414,855	 \$ 426,790
Unrestricted	<u>1,119,902</u>	<u>1,193,990</u>
Total net position	<u>\$ 1,534,757</u>	<u>\$ 1,620,780</u>

AMADOR REGIONAL SANITATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014

Change in Net Position. Total revenues for the year ended June 30, 2015 and 2014 were \$408,716 and \$535,194 compared with expenses of \$494,739 and \$526,559 respectively. The following table summarizes the changes in net position for each year:

CHANGES IN NET POSITION

	2015	2014
Revenues:		
Operating revenues	\$ 407,004	\$ 535,194
Investment income	1,712	1,016
Total revenues	408,716	536,212
Expenses:		
Operating expenses	494,739	526,561
Total expenses	494,739	526,561
Change in net position	(86,023)	9,651
Net position, beginning of the year, as restated	1,620,780	1,611,129
Net position, end of the year	\$ 1,534,757	\$ 1,620,780

Capital Assets

The Authority's investment in capital assets, as of June 30, 2015 and 2014 totaled \$414,855 and \$426,790 respectively. This investment in capital assets consists of structures and equipment.

Future Projections

The Authority Board of Directors and management are taking a proactive approach to the future improvements of the ARSA Outfall System to meet current and future needs. Additionally, future budgets will be establishing a Capital Replacement Fund so the members will not be faced with a huge debt service down the road when replacement and improvements become necessary. Additionally, new staff is experienced and proficient in searching for and acquiring funding for public infrastructure improvements.

Even though grant funding may be available to some degree for major system upgrades, increased costs, new regulations and inevitable maintenance costs will necessitate rate increases of the members of 4-5% per year over the next several years, just to keep up; however, no rate increase has been budgeted or approved for the 2015-2016 fiscal year.

AMADOR REGIONAL SANITATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014

Contacting the General Manager

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, contact the General Manager, Amador Regional Sanitation Authority, 18 Main St., Sutter Creek, CA 95685.

AMADOR REGIONAL SANITATION AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 567,681	\$ 629,107
Due from other governments	18,853	4,829
Total current assets	<u>586,534</u>	<u>633,936</u>
Capital assets		
Structures, net	414,656	426,591
Equipment, net	199	199
Total capital assets	<u>414,855</u>	<u>426,790</u>
Other assets		
Note receivable	450,000	450,000
Accrued interest	114,075	112,815
Total other assets	<u>564,075</u>	<u>562,815</u>
Total assets	<u>\$ 1,565,464</u>	<u>\$ 1,623,541</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 30,707	\$ 2,761
Total liabilities	<u>\$ 30,707</u>	<u>\$ 2,761</u>
NET POSITION		
Net investment in capital assets	\$ 414,855	\$ 426,790
Unrestricted	1,119,902	1,193,990
Total net position	<u>\$ 1,534,757</u>	<u>\$ 1,620,780</u>

The accompanying notes are an integral part of these financial statements

AMADOR REGIONAL SANITATION AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2015 and 2014

	2015	2014
Operating revenues		
Charges for services	\$ 392,079	\$ 485,194
Intergovernmental revenue	-	50,000
Other	14,925	-
Total operating revenues	407,004	535,194
Operating expenses		
Services and supplies	482,804	488,863
Depreciation expense	11,935	37,696
Total operating expenses	494,739	526,559
Operating income	(87,735)	8,635
Non-operating revenues		
Investment income		
Total non-operating revenues	1,712	1,016
Change in net position	(86,023)	9,651
Net position, beginning of the year	1,620,780	1,788,265
Prior period adjustment	-	(177,136)
Net position, beginning of the year restated	1,620,780	1,611,129
Net position, end of the year	\$ 1,534,757	\$ 1,620,780

The accompanying notes are an integral part of these financial statements

AMADOR REGIONAL SANITATION AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and other funds	\$ 396,404	\$ 554,270
Cash paid to suppliers	(456,118)	(647,831)
Interest received	(1,712)	(1,016)
Net cash provided (used) by operations	(61,426)	(94,577)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Change in fixed assets	-	197,472
Net cash used by capital financing activities	-	197,472
NET CHANGE IN CASH	(61,426)	102,895
CASH AND CASH EQUIVALENTS, beginning of year	629,107	526,212
CASH AND CASH EQUIVALENTS, end of year	\$ 567,681	\$ 629,107
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ (86,023)	\$ 9,651
Adjustments to reconcile change in net assets to cash from operations:		
Depreciation and amortization	11,935	37,696
(Increase) decrease in:		
Receivables	(14,024)	17,044
Accrued interest	(1,260)	(47,135)
Increase (decrease) in:		
Accounts payable and accrued expenses	27,946	(111,833)
Total cash provided (used) by operations	\$ (61,426)	\$ (94,577)

The accompanying notes are an integral part of these financial statements

AMADOR REGIONAL SANITATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority is a Joint Powers Authority organized under California Government Code Section 6505. The Authority was created September 19, 1978 for the specific purpose to design, construct, maintain and operate the outfall line and facilities that extend from the Sutter Creek Treatment Plant to the City of Yuba's secondary treatment ponds. Its members consist of the Cities of Amador and Sutter Creek and the County of Amador. Its operations are supported by member contributions collected from its members to reimburse expenses associated with the operation of the Authority. The governing board is made up of five representatives, two County Supervisors, two Sutter Creek City Council members and one Amador City Council member.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses proprietary (enterprise) funds to account for its activities. Proprietary funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the cost of providing goods or services to individuals outside the governing body, on a continuing basis, be financed or recovered primarily through user charges.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units, including the reporting model defined by Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Cash and cash equivalents

The Authority follows the County of Amador's practice of pooling cash and investments with the county Treasury. Also, the Authority hold funds in an Insured Cash Sweep account and other funds that are all federally insured, except for a petty cash fund at local financial institutions.

AMADOR REGIONAL SANITATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statements for the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Authority are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), are accounting principles generally accepted in the United States of America.

AMADOR REGIONAL SANITATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and payables

Transactions representing accrual of revenues and expenses at year-end are referred to as either accounts receivable or accounts payable. Accounts receivable include transactions in which the Authority has either earned or has met all eligibility requirements and is entitled the revenue. Accounts payable include transactions in which the Authority has received goods and or services during the current year, but has not paid for them as of the end of the fiscal year.

Revenue

Operating revenues are recognized in the accounting period in which they are earned. Amounts recorded as charges for services represent payments from the members of the Authority.

Expenses

On the statement of revenues, expenses and changes in fund net position, expenses are recognized in the accounting period in which the related liability is incurred.

Capital assets

The Authority's policy is to capitalize assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Depreciation is computed using the straight-line method over estimated useful lives of equipment.

Net position

Net position is classified into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for net position – Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulation of other governments.

Unrestricted – Unrestricted net position represents net position that is not restricted for any purpose.

AMADOR REGIONAL SANITATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets

The Authority adopts a preliminary budget for the following fiscal year, as required by the JPA agreement. Budgetary revenue estimates represent original estimates modified for any authorized adjustments, contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis.

NOTE 2 DETAILED NOTES

Cash and Investments

The Authority's cash at June 30, 2015 and 2014 is as follows:

	2015	2014
Cash held with County Treasury	\$ 292,600	\$ 292,432
Cash held with financial institutions	275,081	336,675
Total cash	\$ 567,681	\$ 629,107

The County maintains a cash and investment pool that is available to all funds for which the County Treasury is the depository, for the purpose of increasing interest earnings through investment activities. Investments held in the County's investment pool are available on demand and consist of cash held in the bank or on hand, debt securities, and investments in third-party investment pools. The Amador County Treasury Oversight Committee (Committee) has oversight responsibility for Amador County's cash and investment pool. The Committee consists of ten members as required by state law. The value of the pooled shares in Amador County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

The fair value of the Authority's position in the pool is the same as the value of the pool shares. The value of the pool shares may be withdrawn at any time based on an amortized cost basis, which is different than the fair value of the Authority's position in the pool. Information regarding categorizing, ratings, and risk of investments and fair value reporting can be found in the County of Amador's annual financial report, which can be obtained by contacting the Auditor-Controller's office at the County of Amador.

As of July 1, 2016 the cash is no longer kept with County Treasury.

AMADOR REGIONAL SANITATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 DETAILED NOTES, continued

Cash and Investments, continued

Investment Policy: The Authority has not adopted an investment policy. But the County's Board of Supervisors approves an investment policy each year and provides oversight for all pooled investments in the County Treasury. California statutes authorize authorities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4-Financial Affairs.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Amador's investment pool is unrated.

Capital Assets

Capital assets at June 30, 2015 and 2014 consist of structures and equipment. Estimated useful lives range from 5-30 years. No assets were purchased during the years ended June 30, 2015 and 2014; however, there was a prior period adjustment for a note receivable that was improperly booked to fixed assets prior to June 30, 2014.

Capital assets are as follows as June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Fixed assets		
Structures	\$ 1,884,800	\$ 1,884,800
Equipment	350	350
Subtotal fixed assets	<u>1,885,150</u>	<u>1,885,150</u>
Accumulated depreciation		
Accumulated Depreciation, structures	(1,470,144)	(1,458,208)
Accumulated Depreciation, equipment	<u>(151)</u>	<u>(151)</u>
Subtotal accumulated depreciation	<u>(1,470,295)</u>	<u>(1,458,359)</u>
Net fixed assets	<u>\$ 414,855</u>	<u>\$ 426,791</u>

AMADOR REGIONAL SANITATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 OTHER INFORMATION

Insurance

The Authority 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 Authority, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

NOTE 4 NOTE RECEIVABLE

In March 2006, the Authority and the City of Sutter Creek funded the acquisition of an easement costing \$750,000. The easement provides for the eventual delivery of effluent (pipeline easement) to a spray field for the discharging of partially treated effluent. The facilities are to provide additional effluent disposal for the Authority. The agreement with the City of Sutter Creek calls for the construction of a pipeline along the easement and for the proper discharge of effluent once the Gold Rush development occurs. The City of Sutter Creek agreement with Gold Rush Golf calls for the construction to the pipeline by the developer.

The City of Sutter Creek provided \$300,000 of the funding of the easement while the Authority provided the remaining \$450,000. The purchase agreement calls for the City of Sutter Creek to reimburse the Authority the principal of \$450,000 plus interest at the State Treasurer's LAIF rate.

For this reason, the Authority has granted a delay to the City in the repayment schedule, including accrued interest. The most recent deferral approved by the Authority grants the City of Sutter Creek a delay until needed. If the Gold Rush Golf development does not occur, the City of Sutter Creek intends to use sewer connection fees and sewer rate charges for making the repayments to the Authority.

AMADOR REGIONAL SANITATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 NOTE RECEIVABLE, continued

Although the Authority is not in need of the funds currently, it appears the Gold Rush Golf Resort may not happen at all and we would recommend the Authority start a repayment schedule for the accumulated interest at a minimum, and preferably the full principal and interest repayment.

NOTE 5 OPERATING LEASE

The Authority entered into an agreement with the State of California (the State) to lease space on the existing Mule Creek State Prison at 4001 Highway 104, Sutter Creek, CA 95685, and the Preston Youth Correctional Facility at 201 Waterman Road, Ione, CA 95640. The initial agreement requires an annual rent of \$1 due in advance and payable January 1 of each year starting in 2009. The initial term of the agreement is for a period of twenty-nine years eight months to commence on January 1, 2009, and terminates on September 19, 2037.

NOTE 6 RELATED PARTY TRANSACTIONS

The Authority contracts with the City of Sutter Creek to provide administration, operation, maintenance and responsibility for the Authority's system and to be responsible for maintaining the property comprising the system in accordance with applicable waste discharge requirements, laws and regulations of the California Regional Water Control Board Central Valley Region. The expenses for services totaled \$40,431 and \$54,890 for the year ended June 30, 2015 and 2014.

NOTE 7 PRIOR PERIOD CORRECTION

The Authority recorded a prior period adjustment to correct a duplication error on the prior year audit's Statement of Net Position.

NOTE 8 SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through April 27, 2016, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2015 and 2014 that would have a material impact on the Authority's results of operations or financial position.