

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Georgetown Divide Public Utility District  
Georgetown, California

We have audited the accompanying financial statements of the business-type activities, each major fund, and the fiduciary fund of the Georgetown Divide Public Utility District (District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Georgetown Divide Public Utility District's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the fiduciary fund of the Georgetown Divide Public Utility District, as of June 30, 2010, and the respective changes in financial position and cash flows where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, effective July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Georgetown Divide Public Utility District's financial statements as a whole. The Schedules of Operating Expenses and Restricted Plant Benefit Charges and Disclosures are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedules of Operating Expenses and Restricted Plant Benefit Charges and Disclosures are the responsibility of management and were derived from and relate 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
October 14, 2010

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis June 30, 2010

As management of the Georgetown Divide Public Utility District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the audited financial statements and accompanying notes that follow this section.

### Financial Highlights

Although the year was challenging from an economic perspective, the District was able to minimize the loss for the year by keeping operating costs within \$15,561 of the prior fiscal year. Unfortunately, the global recession has impacted the District's property taxes and interest income significantly. Property taxes declined by \$101,199 from the previous fiscal year. The District participated in the Proposition 1A Securitization Program to eliminate a further reduction in property taxes in the amount of \$115,760 by the State of California. Interest earnings declined by \$107,887. The District's total net assets decreased by \$70,675 during fiscal year 2010. This was an improvement over the total net asset decrease of \$1,222,644 for the previous fiscal year. The majority of prior year's decrease was due to the abandonment of the Greenwood Reservoir Water Treatment Plant as a project. The design requirements of the Department of Public Health made the project too expensive for the District to pursue any longer. The District now plans to retrofit the water treatment plant located near the Auburn Lake Trails development to meet the State's water treatment processing requirements. The District is pursuing a United State Department of Agriculture (USDA) low interest loan to finance a portion of the water treatment plant retrofit. As a condition of the loan application, \$1,464,393 was transferred from unrestricted assets to restricted assets to be used for the future replacement of assets with useful lives of fifteen years or less. Operating revenues increased by \$164,626 or 8.25 percent to \$2,161,237 while operating expenses increased by \$15,561 to \$3,936,631. Non-operating revenues decreased by \$107,698 while non-operating expenses decreased by \$9,792. Capital assets, net of accumulated depreciation did not change much. In other words, the District invested about the same amount in capital improvements as the depreciation expense for the year. These highlights demonstrate the District's continuing effort to minimize rate increases while working to maintain the current customer service level, increase system maintenance and continue capital improvement efforts.

### Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and optional Supplementary Information.

The required financial statements are the Statement of Net Assets at June 30, 2010; the Statement of Activities for the fiscal year ended June 30, 2010 at the government-wide level; the Statement of Net Assets – Proprietary Funds at June 30, 2010; the Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds for the fiscal year ended June 30, 2010; and the Statement of Cash Flows for the fiscal year ended June 30, 2010 at the fund level. The final required financial statement is the Statement of Fiduciary Net Assets. The financial statements also include comprehensive notes.

The financial statements, except for the cash flow statement, are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. The cash flow statement is an exception because that statement shows the receipt and payment of cash for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis June 30, 2010

### Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about its activities. The *Statement of Net Assets* includes all the District's assets and liabilities. The statement also provides information about the nature and amounts of investments in assets and obligations to District creditors as liabilities. The statement also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occurs, regardless of the timing of the related cash flows.

All of the current fiscal year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the District's operations over the past fiscal year and can be used to determine whether the District has successfully recovered all of its costs through its rates, fees, and other charges. The District's profitability and credit worthiness can also be determined from this statement.

The primary purpose of the *Statement of Cash Flows* is to provide information about the District's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It explains where cash came from, cash usage, and the change in the cash balance during the reporting period.

The *Statement of Fiduciary Net Assets* is provided to report on assets held in an agency capacity for others and which cannot be used to support the District's operating activities.

### Financial Analysis of the District

Has the financial condition of the District improved or deteriorated as a result of this year's operations? The statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets attempt to answer this question. Net assets may be a useful indicator over time as to the District's financial position. But, there may be other non-economic factors that could cause a change in the District's financial situation.

### Statement of Net Assets

The Statement of Net Assets is a snapshot that shows assets, liabilities, and net assets at a specific point in time. Net assets decreased by \$70,675 to \$21,655,826 down from \$21,726,501 in fiscal year 2009. Total assets, liabilities, and net assets did not vary much from the previous year. The District continues to pursue an alternative project to meet the Department of Public Health water treatment processing requirements in a more economical manner. Consequently, the District has applied for an USDA low-interest loan for a treatment plant retrofit project. A condition of the loan application was to restrict assets to use for the replacement of assets with useful lives of fifteen years or less. This caused a decrease in unrestricted assets of \$1,413,588 and a corresponding increase in restricted assets. This USDA requirement is also reflected in the changes in restricted net assets for facilities and unrestricted net assets. A summary of the District's Statement of Net Assets is presented in Table A-1.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Management's Discussion and Analysis  
June 30, 2010**

**Table A-1  
Condensed Statement of Net Assets**

**Table A-1  
Condensed Statement of Net Assets**

	<u>Fiscal Year</u> <u>2010</u>	<u>Fiscal Year</u> <u>2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Current Assets	\$1,889,449	\$3,332,797	(\$1,443,348)	-43.31%
Restricted Assets	7,195,910	5,707,375	1,488,535	26.08%
Capital Assets	28,096,431	27,464,222	632,209	2.30%
Accumulated Depreciation	(13,782,229)	(13,165,355)	(616,874)	4.69%
Other Assets	<u>322,569</u>	<u>325,174</u>	<u>(2,605)</u>	<u>-0.80%</u>
 Total Assets	 <u>23,722,130</u>	 <u>23,664,213</u>	 <u>57,917</u>	 <u>0.24%</u>
 Current Liabilities	 126,455	 228,686	 (102,231)	 -44.70%
Current Restricted Liabilities	16,966	87,153	(70,187)	-80.53%
Long-term Liabilities	<u>1,922,883</u>	<u>1,621,873</u>	<u>301,010</u>	<u>18.56%</u>
 Total Liabilities	 <u>2,066,304</u>	 <u>1,937,712</u>	 <u>128,592</u>	 <u>6.64%</u>
 Invested in Capital Assets, Net of Related Debt	 12,546,485	 12,795,184	 (248,699)	 -1.94%
Restricted Net Assets for Facilities	5,643,702	4,045,211	1,598,491	39.52%
Restricted Net Assets for Debt Service	280,145	287,024	(6,879)	-2.40%
Unrestricted Net Assets	<u>3,185,494</u>	<u>4,599,082</u>	<u>(1,413,588)</u>	<u>-30.74%</u>
 Total Net Assets	 <u>\$21,655,826</u>	 <u>\$21,726,501</u>	 <u>(\$70,675)</u>	 <u>-0.33%</u>

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets provides information on the nature and source of assets represented on the Statement of Net Assets. It also shows that the expenses exceeded revenues by \$70,675. Ending net assets totaled \$21,655,826. Total revenues increased by \$56,928 in 2010 totaling \$3,925,342. Operating revenue increases were greater than the non-operating revenue decreases. Operating revenue increased by \$164,626 primarily due to rate increases implemented during the year. For water customers, the last increase was three years ago. Non-operating revenues decreased by \$107,698. The District's property taxes and interest income decreased by \$101,199 and \$107,887, respectively, from last year. Fortunately, the District was able to partially mitigate these decreases by obtaining cost reimbursements in the amount of \$35,997 from the El Dorado County Water Agency and increased other revenue. The largest portion of the other revenue increase was \$57,790 from a principal, interest and penalties payment for a delinquent septic tank replacement loan and the recovery of the costs and penalties for non-payment related to a non-compliant lot septic tank replacement performed by the District. The Statement of Revenues, Expenses, and Changes in Net Assets lists the operating revenues and the non-operating revenues together and compares them to the operating and non-operating expenses. The District improved its net loss position by \$51,159 during the fiscal year. Table A-2 depicts total revenues and total expenses and the resulting changes in net assets.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Management's Discussion and Analysis  
June 30, 2010**

**Table A-2  
Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>Fiscal Year</u> <u>2010</u>	<u>Fiscal Year</u> <u>2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenues	\$2,161,237	\$1,996,611	\$164,626	8.25%
Non-operating Revenues and Contributions	<u>1,764,105</u>	<u>1,871,803</u>	<u>(107,698)</u>	<u>-5.75%</u>
Total Revenues	<u>3,925,342</u>	<u>3,868,414</u>	<u>56,928</u>	<u>1.47%</u>
Operating Expenses	3,936,631	3,921,070	15,561	0.40%
Non-operating Expenses	<u>59,386</u>	<u>69,178</u>	<u>(9,792)</u>	<u>-14.15%</u>
Total Expenses	<u>3,996,017</u>	<u>3,990,248</u>	<u>5,769</u>	<u>0.14%</u>
Net Income (Loss)	(70,675)	(121,834)	51,159	-41.99%
Abandonment of Project Costs		(1,100,810)	1,100,810	100.00%
Beginning Net Assets	<u>21,726,501</u>	<u>22,949,145</u>	<u>(1,222,644)</u>	<u>-5.33%</u>
Ending Net Assets	<u>\$21,655,826</u>	<u>\$21,726,501</u>	<u>(\$70,675)</u>	<u>-0.33%</u>

**Operating Revenues**

In a purely business environment, operating revenues are meant to cover operating expenses. The rural nature of the District allows for the receipt of property taxes which are used in conjunction with the operating revenues to pay for operating expenses. Residential water sales were anticipated to increase by approximately 15%. The rate increase for most customers was 5% and more for large water users. Once again the weather was cooler through the year with a more normal amount of rain. Consequently, residential water use was lower than expected just like the revenue. Commercial water sales were anticipated to increase by about 30%. Most commercial customers are less impacted by the weather and generally larger water users. The rate increases for commercial water tiers ranged from 0% to 52%. Irrigation water sales were expected to increase by 8%. However, a major repair required before the 2010 Irrigation Season began, reduced the revenue for the part of the season in the fiscal year ended June 30, 2010 by approximately \$19,000. The remaining operating revenues were close to expectations. Operating revenues are depicted in Table A-3.

**Table A-3  
Condensed Operating Revenues**

	<u>Fiscal Year</u> <u>2010</u>	<u>Fiscal Year</u> <u>2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Water Sales - Residential	\$1,310,135	\$1,233,607	\$76,528	6.20%
Water Sales - Commercial	258,784	195,985	62,799	32.04%
Water Sales - Irrigation	176,327	175,197	\$1,130	0.64%
Water Disposal Fees and Charges	343,595	318,836	24,759	7.77%
Penalties	65,385	67,379	(1,994)	-2.96%
Connections	6,865	5,607	1,258	22.44%
Other Operating Revenues	<u>146</u>	<u>-</u>	<u>146</u>	<u>-</u>
Total Operating Revenues	<u>\$2,161,237</u>	<u>\$1,996,611</u>	<u>\$164,626</u>	<u>8.25%</u>



**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Management's Discussion and Analysis  
June 30, 2010**

**Operating Expenses by Department**

Operating expenses increased by \$15,561 to \$3,936,631. Source of Supply increased and Raw Water Transmission and Distribution decreased due to the emphasis on repairs up country. Water Treatment costs increased due to the training focus for the new water treatment plant operators. The other departments implemented savings measures, especially the On-site Wastewater Disposal Zone. The water treatment training focus drew resources away from On-site Wastewater Disposal Zone activities which resulted in savings. Operating expenses are depicted in Table A-4.

**Table A-4  
Operating Expenses by Department**

	<u>Fiscal Year</u> 2010	<u>Fiscal Year</u> 2009	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Source of Supply	\$254,174	\$211,338	\$42,836	20.27%
Transmission and Distribution – Raw Water	503,274	523,341	(20,067)	-3.83%
Water Treatment	708,800	677,985	30,815	4.55%
Transmission and Distribution – Treated Water	422,348	431,051	(8,703)	-2.02%
Customer Service	370,943	385,399	(14,456)	-3.75%
Administrative and General	813,156	774,913	38,243	4.94%
Depreciation and Amortization	634,480	631,593	2,887	0.46%
On-site Wastewater Disposal Zone	<u>229,456</u>	<u>285,450</u>	<u>(55,994)</u>	<u>-19.62%</u>
 Total Operating Expenses	 <u>\$3,936,631</u>	 <u>\$3,921,070</u>	 <u>\$15,561</u>	 <u>0.40%</u>

**Operating Revenues vs. Operating Expenses**

The District improved its operating loss from a loss of \$1,924,459 to a loss of \$1,775,394, the result of increasing operating revenue by \$164,626 and increasing operating expenses by \$15,561. Table A-5 compares operating revenues to operating expenses and depicts the District's reliance on other revenue for operations.

**Table A-5  
Operating Revenues vs Operating Expenses**

	<u>Fiscal Year</u> 2010	<u>Fiscal Year</u> 2009	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenues	\$2,161,237	\$1,996,611	\$164,626	8.25%
Operating Expenses	<u>3,936,631</u>	<u>3,921,070</u>	<u>15,561</u>	0.40%
Operating Loss	<u>(\$1,775,394)</u>	<u>(\$1,924,459)</u>	<u>\$149,065</u>	<u>-7.75%</u>

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis June 30, 2010

### Non-operating Revenues and Expenses

The District's non-operating income is vital to covering the operating loss. The current economy has taken its toll on the District's general property taxes and interest income. If the District had not participated in the Proposition 1A securitization program, the decrease in property taxes would have been \$115,760 more than the actual decrease of \$101,199 or \$216,959. Interest income has declined by nearly half of the amount earned last year and is due to the drop in interest rates during the year. Fortunately, the District was able to partially mitigate these decreases by obtaining cost reimbursements in the amount of \$35,997 from the El Dorado County Water Agency and increased other revenue. The largest portion of the other revenue increase was \$57,790 from a principal, interest, and penalties payment for a delinquent septic tank replacement loan and the recovery of the costs and penalties for non-payment related to a non-compliant lot septic tank replacement performed by the District. Table A-6 compares non-operating revenues and expenses.

**Table A-6  
Non-Operating Revenues and Expenses**

	<u>Fiscal Year</u> <u>2010</u>	<u>Fiscal Year</u> <u>2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Property Taxes – General	\$1,416,857	\$1,518,056	(\$101,199)	-6.67%
Interest Income	115,984	223,871	(107,887)	-48.19%
Water Agency Cost Reimbursement	35,997	0	35,997	-
Restricted Benefit Charges	23,990	6,678	17,312	259.24%
Lease Revenue	44,869	45,135	(266)	-0.59%
EPA Grant	0	37,476	(37,476)	-100.00%
Dept. of Water Resources Grant	0	7,924	(7,924)	-100.00%
FEMA Grant	0	67	(67)	-100.00%
Other	<u>126,408</u>	<u>32,596</u>	<u>93,812</u>	<u>287.80%</u>
Total Non-Operating Revenues (Including Property Owner Contributions)	<u>1,764,105</u>	<u>1,871,803</u>	<u>(107,698)</u>	<u>-5.75%</u>
Total Non-operating Expenses	<u>59,386</u>	<u>69,178</u>	<u>(9,792)</u>	<u>-14.15%</u>
Non-operating Income less Non-operating Expense	<u>\$1,704,719</u>	<u>\$1,802,625</u>	<u>(\$97,906)</u>	<u>-5.43%</u>

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis June 30, 2010

### Capital Assets

The District's investment in capital assets for the year was \$632,210 while depreciation expense was \$616,875. Consequently, Capital assets net of accumulated depreciation did not change much. The investment in capital improvements are as follows:

- \$263,826 for up country reliability ditch improvements near structure 5, as well as other areas,
- \$25,143 for raw water ditch improvements,
- \$93,313 for treatment plant improvements for increasing reliability and efficiency,
- \$134,480 to recoat the Black Oak Mine treated water storage tank,
- \$75,568 for work related to applying for the USDA loan and moving the treatment plant retrofit project forward,
- \$4,187 for the start of the permit licensing process to better secure the District's water rights, and
- \$35,693 for a variety of other equipment and system improvements. Additional information about District capital assets can be obtained in the notes to the financial statements.

### Long-term Debt and Debt Administration

At June 30, 2010, the District had \$1,922,883 in long-term debt, including compensated absences and other postemployment benefits obligation, \$301,010 more than the prior fiscal year. The majority of the increase was due to the Department of Water Resources loan for the Walton Lake Water Treatment Plant filter replacement being funded for \$400,511. Of course, debt was retired during the year as well. The District continues to perform debt administration functions previously performed by the County on the District's behalf for certain 1915 Act bonds. Additional information about District long-term debt can be obtained in the notes to the financial statements.

### Postemployment Benefits Other Than Pensions

The District has been endeavoring to fund these benefit commitments for many years and has implemented *Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* this year. On April 11, 2006, the District adopted Ordinance 2006-01 regarding retiree health benefits implementing caps on the amount the District would pay towards these types of benefits. A calculation of the future liability for these benefits has been prepared utilizing the simplified method allowed by the statement for small employers. Utilizing this method it is estimated that the District saved approximately \$850,000 by instituting the caps. The estimated actuarial liability at June 30, 2009 is \$1,428,000. Based on the resources set aside by the District for these benefits, \$931,000 is unfunded. As the District administers this plan without a trust, the designated assets set aside for these benefits is not recognized in the notes to the financial statements. Additional information about postemployment benefits other than pensions can be obtained in the notes to the financial statements.

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis June 30, 2010

### **Economic Factors and Rates**

The District's customer base continues to grow at a slow rate. The District completed a Water System Reliability Study in fiscal year 2002. This study has been utilized as a basis for long-term maintenance and capital improvement plans for the District. The District reviewed its financial reserves and updated its financial reserve policy in fiscal year 2006. The updated reserve policy assists in development of future rates and fees to adequately support the capital and operation needs of the District. The housing market has declined within the District's boundaries, as in the rest of California. The housing market decline did impact the results of the fiscal year ended June 30, 2010.

After several meetings to establish proposed rates, a noticed public hearing for rate changes was held on September 9, 2008. The implementation of the treated water rates was postponed to July 1, 2009 in an effort to allow customers to prepare for the increase. The adopted rate increase fell short of the expected 15% increase in revenue for the first year. It is expected that the adopted rate increases will yield at least 5% for each of the subsequent two years. Irrigation water revenue will fall short of the expected 8% for the 2010 irrigation season due to the delay of the start of the season. It is anticipated that the revenue will increase by 8% for the 2011 season. Wastewater services revenue exceeded the expected 6 % increase due to a slight increase in escrow inspection fees this year. It is anticipated that wastewater revenue will increase by approximately 3% in fiscal year 2011. It is hoped that the increased rates will allow the District to increase net assets in future years.

### **Requests for Information**

This financial report is designed to provide a general overview of the finances of the Georgetown Divide Public Utility District. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of the District.

Written requests:

Georgetown Divide Public Utility District  
P.O. Box 4240  
Georgetown, CA 95634

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Net Assets  
June 30, 2010  
(With Comparative Totals as of June 30, 2009)**

	Business-type Activities	
<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and investments	\$ 1,363,938	\$ 2,819,196
Receivables:		
Accounts	419,384	393,492
Interest	1,676	12,945
Inventory	12,260	9,375
Deposits and prepaid expenses	92,191	97,789
	<u>1,889,449</u>	<u>3,332,797</u>
Total Current Assets		
Restricted Assets:		
Cash and investments	6,340,135	4,743,915
Receivables:		
Accounts		
Interest	13,112	20,653
Current assessments	86,875	84,235
Non-current assessments receivable	755,788	858,572
	<u>7,195,910</u>	<u>5,707,375</u>
Total Restricted Assets		
Capital assets - net of accumulated depreciation	<u>14,314,202</u>	<u>14,298,867</u>
Other Assets:		
Special studies, net of accumulated amortization	<u>322,569</u>	<u>325,174</u>
Total Other Assets	<u>322,569</u>	<u>325,174</u>
Total Assets	<u>\$ 23,722,130</u>	<u>\$ 23,664,213</u>

(Continued)

The accompanying notes are an integral part of these basic financial statements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Net Assets (Continued)**  
**June 30, 2010**  
**(With Comparative Totals as of June 30, 2009)**

	Business-type Activities	
	2010	2009
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 89,245	\$ 122,863
Accrued expenses	24,027	93,227
Deposits payable	3,894	3,894
Unearned revenue	9,289	8,702
	<hr/>	<hr/>
Total Current Liabilities	126,455	228,686
	<hr/>	<hr/>
Current Liabilities Payable from Restricted Assets:		
Accrued interest payable	12,765	11,507
Accounts payable	3,030	74,475
Unearned revenue	1,171	1,171
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	16,966	87,153
	<hr/>	<hr/>
Noncurrent Liabilities:		
Due in one year	202,423	196,860
Due in more than one year	1,720,460	1,425,013
	<hr/>	<hr/>
Total Noncurrent Liabilities	1,922,883	1,621,873
	<hr/>	<hr/>
Total Liabilities	2,066,304	1,937,712
	<hr/>	<hr/>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,546,485	12,795,184
Restricted for new facilities	5,643,702	4,045,211
Restricted for debt service	280,145	287,024
Unrestricted	3,185,494	4,599,082
	<hr/>	<hr/>
Total Net Assets	\$ 21,655,826	\$ 21,726,501
	<hr/>	<hr/>

The accompanying notes are an integral part of these basic financial statements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Activities  
For the Fiscal Years Ended June 30, 2010  
(With Comparative Totals for the Fiscal Year Ended June 30, 2009)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Capital Contributions and Grants	2010	2009
Business-type activities:					
Water	\$ 3,734,433	\$ 1,817,642	\$ -	\$ (1,916,791)	\$ (1,936,388)
Waste Disposal	261,584	343,595		82,011	(11,782)
Total business-type activities	\$ 3,996,017	\$ 2,161,237	\$ -	(1,834,780)	(1,948,170)
		General Revenues			
		Taxes:			
		Property taxes		1,416,857	1,518,056
		Investment income		115,984	223,871
		Other		231,264	84,409
		Total general revenues		1,764,105	1,826,336
				Change in net assets	(70,675)
					(121,834)
					(1,100,810)
				Abandonment of Project Costs	
					(1,100,810)
				Net assets at beginning of fiscal year	
				21,726,501	22,949,145
				Net assets at end of fiscal year	
				\$ 21,655,826	\$ 21,726,501

The accompanying notes are an integral part of these basic financial statements.

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**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Net Assets - Proprietary Funds  
June 30, 2010  
(With Comparative Totals as of June 30, 2009)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2010	2009
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 1,197,734	\$ 166,204	\$ 1,363,938	\$ 2,819,196
Receivables:				
Accounts	411,768	7,616	419,384	393,492
Interest	1,569	107	1,676	12,945
Inventory	12,260		12,260	9,375
Deposits and prepaid expenses	90,172	2,019	92,191	97,789
Total Current Assets	<u>1,713,503</u>	<u>175,946</u>	<u>1,889,449</u>	<u>3,332,797</u>
Restricted Assets:				
Cash and investments	6,191,430	148,705	6,340,135	4,743,915
Receivables:				
Accounts				
Interest	13,052	60	13,112	20,653
Current assessments	86,875		86,875	84,235
Non-current assessments receivable	755,788		755,788	858,572
Total Restricted Assets	<u>7,047,145</u>	<u>148,765</u>	<u>7,195,910</u>	<u>5,707,375</u>
Capital Assets - net of accumulated depreciation	<u>13,919,702</u>	<u>394,500</u>	<u>14,314,202</u>	<u>14,298,867</u>
Other Assets:				
Special studies, net of accumulated amortization	<u>322,569</u>		<u>322,569</u>	<u>325,174</u>
Total Other Assets	<u>322,569</u>		<u>322,569</u>	<u>325,174</u>
Total Assets	<u>\$ 23,002,919</u>	<u>\$ 719,211</u>	<u>\$ 23,722,130</u>	<u>\$ 23,664,213</u>

(Continued)

The accompanying notes are an integral part of these basic financial statements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Net Assets - Proprietary Funds (Continued)**

**June 30, 2010**

**(With Comparative Totals as of June 30, 2009)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2010	2009
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	\$ 77,172	\$ 12,073	\$ 89,245	\$ 122,863
Accrued expenses	21,893	2,134	24,027	93,227
Deposits payable	3,894		3,894	3,894
Deferred revenue	9,289		9,289	8,702
<b>Total Current Liabilities</b>	<b>112,248</b>	<b>14,207</b>	<b>126,455</b>	<b>228,686</b>
Current Liabilities Payable from Restricted Assets:				
Accrued interest payable	12,765		12,765	11,507
Accounts payable	3,030		3,030	74,475
Deferred revenue	1,171		1,171	1,171
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>16,966</b>		<b>16,966</b>	<b>87,153</b>
Noncurrent Liabilities:				
Due in one year	195,819	6,604	202,423	196,860
Due in more than one year	1,720,129	331	1,720,460	1,425,013
<b>Total Long-Term Liabilities</b>	<b>1,915,948</b>	<b>6,935</b>	<b>1,922,883</b>	<b>1,621,873</b>
<b>Total Liabilities</b>	<b>2,045,162</b>	<b>21,142</b>	<b>2,066,304</b>	<b>1,937,712</b>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	12,151,985	394,500	12,546,485	12,795,184
Restricted for new facilities	5,494,937	148,765	5,643,702	4,045,211
Restricted for debt service	280,145		280,145	287,024
Unrestricted	3,030,690	154,804	3,185,494	4,599,082
<b>Total Net Assets</b>	<b>\$ 20,957,757</b>	<b>\$ 698,069</b>	<b>\$ 21,655,826</b>	<b>\$ 21,726,501</b>

The accompanying notes are an integral part of these basic financial statements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Revenues, Expenses, and Changes in Net Assets**

**Proprietary Funds**

**For the Fiscal Year Ended June 30, 2010**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2009)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2010	2009
Operating Revenues:				
Water sales:				
Residential	\$ 1,310,135	\$ -	\$ 1,310,135	\$ 1,233,607
Commercial	258,784		258,784	195,985
Irrigation	176,327		176,327	175,197
Installations and connections	6,865		6,865	5,607
Waste disposal:				
Zone charges		320,845	320,845	303,236
Design fees				1,050
Escrow fees		22,750	22,750	14,550
Penalties	65,385		65,385	67,379
Other	146		146	
Total Operating Revenues	<u>1,817,642</u>	<u>343,595</u>	<u>2,161,237</u>	<u>1,996,611</u>
Operating Expenses:				
Source of supply	254,174		254,174	211,338
Transmission and distribution - raw water	503,274		503,274	523,341
Water treatment	708,800		708,800	677,985
Transmission and distribution - treated water	422,348		422,348	431,051
Customer service	370,943		370,943	385,399
Administrative and hydroelectric	813,156		813,156	774,913
Depreciation and amortization	602,352	32,128	634,480	631,593
On-Site Wastewater Disposal Zone		229,456	229,456	285,450
Total Operating Expenses	<u>3,675,047</u>	<u>261,584</u>	<u>3,936,631</u>	<u>3,921,070</u>
Operating Income (Loss)	<u>(1,857,405)</u>	<u>82,011</u>	<u>(1,775,394)</u>	<u>(1,924,459)</u>
Non-operating Revenues:				
Tax revenue - general	1,416,857		1,416,857	1,518,056
Interest income	115,080	904	115,984	223,871
Water Agency Cost Sharing	35,997		35,997	
Restricted benefits charges	23,990		23,990	6,678
Lease revenue	44,869		44,869	45,135
Intergovernmental				45,467
Other	68,363	58,045	126,408	32,596
Total Non-operating Revenues	<u>1,705,156</u>	<u>58,949</u>	<u>1,764,105</u>	<u>1,871,803</u>
Non-operating Expenses:				
Interest	50,038		50,038	51,978
Other	9,348		9,348	17,200
Total Non-operating Expenses	<u>59,386</u>		<u>59,386</u>	<u>69,178</u>
Non-operating Income (Loss)	<u>1,645,770</u>	<u>58,949</u>	<u>1,704,719</u>	<u>1,802,625</u>
Net Income (Loss)	<u>(211,635)</u>	<u>140,960</u>	<u>(70,675)</u>	<u>(121,834)</u>
Abandonment of Project Costs				(1,100,810)
Net Assets, Beginning of Fiscal Year	<u>21,169,392</u>	<u>557,109</u>	<u>21,726,501</u>	<u>22,949,145</u>
Net Assets, End of Fiscal Year	<u>\$ 20,957,757</u>	<u>\$ 698,069</u>	<u>\$ 21,655,826</u>	<u>\$ 21,726,501</u>

The accompanying notes are an integral part of these basic financial statements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Cash Flows**

**Proprietary Funds**

**For the Fiscal Year Ended June 30, 2010**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2009)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2010	2009
Cash Flows from Operating Activities:				
Receipts from customers	\$ 1,791,753	\$ 344,179	\$ 2,135,932	\$ 2,234,049
Payments to suppliers for goods and services	(1,067,740)	(63,133)	(1,130,873)	(986,664)
Payments to or on behalf of employees for services	(2,137,654)	(168,198)	(2,305,852)	(2,200,017)
Net Cash Provided (Used) By Operating Activities	(1,413,641)	112,848	(1,300,793)	(952,632)
Cash Flows from Noncapital Financing Activities:				
Property taxes	1,416,857		1,416,857	1,518,056
Assessment receivable payments	100,144		100,144	82,336
Restricted benefits charges received	23,990		23,990	6,678
Other revenues	149,229	255	149,484	123,198
Net Cash Provided By Noncapital Financing Activities	1,690,220	255	1,690,475	1,730,268
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of long-term debt	400,511		400,511	
Acquisition of property, equipment, and special studies	(633,326)	(13,884)	(647,210)	(951,229)
Refund of supplemental water rights study costs				289,809
Principal payments on long-term debt	(136,477)		(136,477)	(127,328)
Interest payments on long-term debt	(48,780)		(48,780)	(52,928)
Other non-operating expense	(9,348)		(9,348)	(17,200)
Net Cash Used by Capital and Related Financing Activities	(427,420)	(13,884)	(441,304)	(858,876)
Cash Flows from Investing Activities:				
Proceeds from maturities of investments	770,000		770,000	1,500,000
Purchases of investments	(2,445,000)		(2,445,000)	(2,145,000)
Waste disposal loan & noncompliant lot payments		57,790	57,790	
Interest received	133,890	904	134,794	255,529
Net Cash Provided (Used) by Investing Activities	(1,541,110)	58,694	(1,482,416)	(389,471)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,691,951)	157,913	(1,534,038)	(470,711)
Cash and Cash Equivalents, Beginning of Fiscal Year	5,661,115	156,996	5,818,111	6,288,822
Cash and Cash Equivalents, End of Fiscal Year	\$ 3,969,164	\$ 314,909	\$ 4,284,073	\$ 5,818,111
Reconciliation to the Statement of Net Assets:				
Cash and investments	\$ 1,197,734	\$ 166,204	\$ 1,363,938	\$ 2,819,196
Restricted cash and investments	6,191,430	148,705	6,340,135	4,743,915
Total cash and investments	7,389,164	314,909	7,704,073	7,563,111
Less: investments that do not meet the definition of cash equivalents	(3,420,000)		(3,420,000)	(1,745,000)
Total Cash and Cash Equivalents	\$ 3,969,164	\$ 314,909	\$ 4,284,073	\$ 5,818,111

(Continued)

The accompanying notes are an integral part of these basic financial statements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2009)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2010	2009
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (1,857,405)	\$ 82,011	\$ (1,775,394)	\$ (1,924,459)
Noncash items included in operating income (loss):				
Depreciation	584,747	32,128	616,875	619,770
Amortization	17,605		17,605	11,823
Changes in assets and liabilities:				
Decrease (Increase) in operating assets:				
Accounts receivable	(26,476)	584	(25,892)	236,227
Inventory	(2,885)		(2,885)	624
Deposits and prepaid expenses	7,617	(2,019)	5,598	(12,127)
Increase (decrease) in operating liabilities:				
Accounts payable	(110,151)	5,088	(105,063)	18,621
Accrued expenses	(65,823)	(3,377)	(69,200)	85,201
Deposits payable				(100)
Compensated absences	(2,746)	(1,567)	(4,313)	10,477
Postemployment benefits	41,289		41,289	
Deferred revenue	587		587	1,311
Net Cash Provided (Used) By Operating Activities	<u>\$ (1,413,641)</u>	<u>\$ 112,848</u>	<u>\$ (1,300,793)</u>	<u>\$ (952,632)</u>

The accompanying notes are an integral part of these basic financial statements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Fiduciary Net Assets  
June 30, 2010  
(With Comparative Totals for June 30, 2009)**

	Agency Fund	
<u>Assets</u>	2010	2009
Cash and investments	\$ 64,188	\$ 57,239
Receivables:		
Interest	88	588
Current assessments	3,917	3,734
Non-current assessments receivable	208,698	215,122
 Total Assets	 276,891	 276,683
 <u>Liabilities</u>		
Current Liabilities:		
Accounts payable	1,159	
Accrued interest payable	3,514	3,575
Deferred revenue	50,318	47,308
 Total Current Liabilities	 54,991	 50,883
Noncurrent Liabilities:		
Due in one year	4,100	3,900
Due in more than one year	217,800	221,900
 Total Noncurrent Liabilities	 221,900	 225,800
 Total Liabilities	 276,891	 276,683
 <u>Net Assets</u>	 \$ -	 \$ -

The accompanying notes are an integral part of these basic financial statements.

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# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2010

Note 1: Significant Accounting Policies

### A. Organization and Description

The reporting entity, the Georgetown Divide Public Utility District (District), was created by the electorate, June 4, 1946, under the California Public Utility District Act of 1921. The District operates under a governing five-member Board of Directors (Board) elected at-large for four-year overlapping terms. The District's management is under the direction of the General Manager, Clerk, and ex-officio Secretary of the Board, who is appointed by and serves at the pleasure of the Board.

### B. Reporting Entity

The District's basic financial statements include the operations of all organizations for which the District's Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the aforementioned oversight criteria, there are no component units in this report which met the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

The basic financial statements include the accounts of two enterprise activities provided by the District: (1) raw and treated water services, and (2) wastewater disposal services in the Auburn Lake Trails (A.L.T.) subdivision.

### C. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

#### Government-wide Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (District). These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.



# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2010

Note 1: Significant Accounting Policies (Continued)

### C. Basis of Presentation (Continued)

#### Fund Financial Statements

The Fund Financial Statements provide information about the District's funds, including the fiduciary fund. Separate statements for each fund category - *proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains one fiduciary fund. The fiduciary fund uses the "*economic resources*" measurement focus and the accrual basis of accounting.

### D. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of all fund-type totals. The District may also select other funds that it believes should be presented as major funds. The District reports all its proprietary funds as major funds.

The District reported the following major proprietary funds:

#### Water

This fund accounts for the activities of providing raw and treated water services to the customers. Raw water service is also known as irrigation water.

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements

June 30, 2010

Note 1: Significant Accounting Policies (Continued)

### D. Major Funds (Continued)

#### Wastewater Disposal

This fund accounts for the activities of monitoring wastewater disposal of the residents of the Auburn Lake Trails subdivision. The area is also known as the On-Site Wastewater Disposal Zone.

### E. Basis of Accounting

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the *full accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide financial statements and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

### F. Budget and Budgeting

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following July 1. The budgets are used as a management tool and are not a legal requirement.

### G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### H. Inventory

Inventories of supplies are stated at cost. Cost is determined on a first-in, first-out basis.

### I. Restricted Assets

These assets consist of certificates of deposit, short-term investments, and receivables which are restricted for debt service and other legal obligations.

### J. Capital Assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of donation. The District capitalizes capital assets valued over \$1,000 and having a useful life of at least three years. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which range from 30 to 100 years for the plant and pipelines and 3 to 15 years for other equipment.

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2010

Note 1: Significant Accounting Policies (Continued)

### K. Compensated Absences

All earned vacation, which is payable upon termination or retirement, is accrued as compensated absences, in accordance with GASB Statement No. 16.

### L. Property Taxes

The District receives property taxes from El Dorado County (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District's property taxes are levied each July 1, on the assessed values as of the prior January 1 for all real and personal property located in the District. Property sold after the assessment date (January 1) is reassessed and the amount of the supplemental property tax levied is prorated. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

### M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), 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 could differ from those estimates.

### N. Net Assets

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets.

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2010

Note 1: Significant Accounting Policies (Continued)

### O. Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the current presentation. These reclassifications had no effect on the previously reported change in net assets.

### P. New Accounting Pronouncements

#### GASB Statement No. 45 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This Statement is effective for periods beginning after December 15, 2008 for governments with total annual revenues of less than \$10 million. The Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures, related liabilities and assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Implementation of GASB Statement No. 45 modified the disclosure of information related to the District's postemployment health benefits plan for the fiscal year ended June 30, 2010. See note 14 for more information.

#### GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

#### GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

#### GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

For the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

#### GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 2: Cash and Investments

Classification

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements:

Unrestricted cash and investments	\$ 1,363,938
Restricted cash and investments	<u>6,340,135</u>
Cash and investments, Statement of Net Assets	7,704,073
Cash and investments, Statement of Fiduciary Net Assets	<u>64,188</u>
Total cash and investments	<u>\$ 7,768,261</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 425
Deposits with financial institutions	18,935
Investments	<u>7,748,901</u>
Total cash and investments	<u>\$ 7,768,261</u>

A. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million
Certificates of Deposit	5 Years	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 2: Cash and Investments, (Continued)

**B. Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>				
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>
Money Market Funds	\$ 755,982	\$ 755,982	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	3,515,000	1,270,000	2,045,000	200,000		
State Investment Pool (LAIF)	<u>3,477,919</u>	<u>3,477,919</u>				
	<u>\$ 7,748,901</u>	<u>\$ 5,503,901</u>	<u>\$ 2,045,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Money Market Funds	\$ 755,982	N/A	\$ -	\$ -	\$ -	\$ -	\$ 755,982
Certificates of Deposit	3,515,000	N/A					3,515,000
State Investment Pool (LAIF)	<u>3,477,919</u>	N/A					<u>3,477,919</u>
Total	<u>\$ 7,748,901</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,748,901</u>

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements

June 30, 2010

Note 2: Cash and Investments, (Continued)

### D. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than LAIF) that represent 5% or more of total District investments. The Money Market Funds investment is collateralized for the amount over the Federal Deposit Insurance Corporation amount or backed by United States Treasuries.

### E. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

### F. Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 2: Cash and Investments (Continued)

Restricted cash and investments are identified by use as follows at June 30, 2010:

	<u>Water</u>	<u>Waste Disposal</u>	<u>Total</u>
<b>Debt Service:</b>			
Bond and Interest	\$ 110,121	\$ -	\$ 110,121
Kelsey South	185,955		185,955
Kelsey North	114,431		114,431
Pilot Hill South	115,272		115,272
Pilot Hill North	65,573		65,573
State Revolving Fund	25,096		25,096
Sand Trap	29,898		29,898
Buffalo Hill	<u>25,901</u>		<u>25,901</u>
Total Debt Service Cash and Investments	<u>672,247</u>		<u>672,247</u>
<b>New Facilities:</b>			
Stumpy Meadows Emergency Reserve	2,149,112		2,149,112
Facility Capacity Charges	1,526,695		1,526,695
Short-lived Asset Replacement Reserve	1,470,570		1,470,570
Water Development	372,806		372,806
Community Disposal System Expansion		<u>148,705</u>	<u>148,705</u>
Total New Facilities Cash and Investments	<u>5,519,183</u>	<u>148,705</u>	<u>5,667,888</u>
Total Restricted Cash and Investments	<u>\$ 6,191,430</u>	<u>\$ 148,705</u>	<u>\$ 6,340,135</u>

Note 3: Assessments Receivable

Assessments receivable to the District are construction obligations of the benefited property owners of the Kelsey North, Kelsey South, Pilot Hill North, Pilot Hill South, and Stewart Mine Water Assessment Districts. El Dorado County collects the special assessments semi-annually in order to pay the related projects' Department of Water Resources or United States Department of Agriculture construction debts as they mature. The assessments receivable balances at June 30, 2010 were as follows:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Water Restricted Assessments Receivable	\$ 86,875	\$ 755,788	\$ 842,663
Fiduciary Assessments Receivable	<u>3,917</u>	<u>208,698</u>	<u>212,615</u>
Total Assessments Receivable	<u>\$ 90,792</u>	<u>\$ 964,486</u>	<u>\$ 1,055,278</u>



**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 4: Capital Assets

Purchased capital assets are recorded at cost when purchased. Donated capital assets are recorded at fair value at the date of donation. Capital assets are depreciated over estimated useful lives ranging from one hundred years (Stumpy Meadows Dam) to three years (small office equipment) using the straight-line method. Capital assets at June 30, 2010, consisted of the following:

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Nondepreciable capital assets:</b>					
Land and land rights	\$ 770,975	\$ -	\$ -	\$ -	\$ 770,975
Construction in progress	79,824	80,142			159,966
<b>Total nondepreciable capital assets</b>	<b>850,799</b>	<b>80,142</b>			<b>930,941</b>
<b>Depreciable capital assets:</b>					
General plant equipment and facilities	1,466,830	7,207			1,474,037
Water treatment	5,323,017	93,313			5,416,330
Transmission and distribution	12,698,923	171,337			12,870,260
Auburn Lake Trails septic facilities	833,219	13,885			847,104
Source of supply	6,291,433	266,326			6,557,759
<b>Total depreciable capital assets</b>	<b>26,613,422</b>	<b>552,068</b>		-	<b>27,165,490</b>
Less: accumulated depreciation	(13,165,354)	(616,875)			(13,782,229)
<b>Net depreciable capital assets</b>	<b>13,448,068</b>	<b>(64,807)</b>			<b>13,383,261</b>
<b>Net capital assets</b>	<b>\$ 14,298,867</b>	<b>\$ 15,335</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,314,202</b>

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program was as follows:

**Business-type Activities:**

Water	\$ 584,747
Wastewater Disposal	32,128
<b>Total Depreciation Expense-Business-type Activities</b>	<b>\$ 616,875</b>

Note 5: Special Studies

Preliminary project and special studies which are expected to have future benefit to the District are amortized using the straight-line method over the estimated period of benefit to the District. The Alternate Water Source PCWA represents accumulated costs paid in pursuit of a Central Valley Project Water Service Contract with the United States Bureau of Reclamation for PL 101-514 water in an effort to ensure adequate water supply. Activities related to the PL 101-514 water are on-going. The Facility Capacity Charge Study represents the amount paid to analyze connection charges for the District. The District accepted the study on April 10, 2008 to implement new capital facility charges as of July 1, 2008 and is being amortized over five years.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 5: Special Studies (Continued)

In July of 2008, the District executed an agreement with CA Water Consulting, Inc. to modernize the water model utilized by the District for many years. The modernized model was completed in December 2008 and is being amortized over five years. In February 2008, the District executed a second agreement with CA Water Consulting, Inc. to explore options to increase the District's water supply. The work related to water supply options was completed in June 2009 and is being amortized over three years. Special studies completed or in process as of June 30, 2010, consisted of the following:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Alternative Water Source (PCWA)	\$ 273,070	\$ 15,000	\$ -	\$ 288,070
Facility Capacity Charge Study	44,154			44,154
Water Model (CA Water Consulting)	14,958			14,958
Options to Increase Water Supply	<u>17,350</u>			<u>17,350</u>
Total amortizable assets	349,532	15,000		364,532
Less-accumulated amortization	<u>(24,358)</u>	<u>(17,605)</u>		<u>(41,963)</u>
Unamortized Balance	<u>\$ 325,174</u>	<u>\$ (2,605)</u>	<u>\$ -</u>	<u>\$ 322,569</u>

Note 6: Long-Term Debt

**A. Compensated Absences**

District employees accumulate earned but unused vacation benefits which can be converted to cash at termination of employment. It is estimated that up to two weeks per employee might be liquidated with expendable currently available financial resources in the next year. These vested benefits are reported as part of the noncurrent liabilities on the Statement of Net Assets and totaled \$113,877 at June 30, 2010. It is anticipated that \$63,493 of these benefits will be used after June 30, 2011.

**B. Notes Payable**

Balance  
June 30, 2010

Department of Water Resources:

Seven long-term contracts have been entered into with the State of California Department of Water Resources (DWR) to finance the construction of the various water projects.

The Sand Trap contract of \$469,100 is to be repaid by fifty semi-annual payments of \$14,950. The payments are due on April 1 and October 1, beginning April of 1989 and ending October 1, 2013, include interest on the outstanding note balance at 4.0129%.

\$ 96,730

The Kelsey North Water Assessment District 1989-1 contract of \$630,000 is to be repaid by sixty semi-annual payments of \$15,398. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2027, include interest on the outstanding note balance at 3.3712%.

404,586

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 6: Long-Term Debt (Continued)

**B. Notes Payable (Continued)**

Balance  
June 30, 2010

The Pilot Hill North Water Assessment District 1989-2 contract of \$347,025 is to be repaid by fifty semi-annual payments of \$10,501. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2017, include interest on the outstanding note balance at 3.5259%. \$ 132,347

The Pilot Hill South Water Assessment District 1989-3 contract of \$263,550 is to be repaid by sixty semi-annual payments of \$7,221. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2022, include interest on the outstanding note balance at 3.6024%. 144,327

The Kelsey South Water Assessment District 1989-4 contract of \$666,750 is to be repaid by sixty semi-annual payments of \$17,836. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2022, include interest on the outstanding note balance at 3.41%. 360,575

The Buffalo Hill Siphon contract of \$386,438 is to be repaid by forty semi-annual payments of \$12,953. These payments, due April 1 and October 1, beginning October of 1993 and ending April 1, 2013, include interest on the outstanding note balance at 3.0286%. 73,758

The Walton Lake Water Treatment Plant Filter Replacement contract of \$400, 511 is to be repaid by forty semi-annual payments of \$12,529. These payments, due April 1 and October 1, beginning October of 2010 and ending April 1, 2030, include interest on the outstanding note balance at 2.2836%. 400,511

Total Department of Water Resources Notes Payable \$1,612,834

United States Bureau of Reclamation:

A non-interest bearing contract was entered into with the U.S. Bureau of Reclamation in 1977 to construct the Otter Creek Project. Annual principal payments of \$4,538 are due through January 1, 2018. 36,306

Total Notes Payable \$1,649,140

Fiscal Year Ending

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 137,337	\$ 49,978	\$ 187,315
2012	141,762	45,553	187,315
2013	146,540	40,775	187,315
2014	110,221	36,237	146,458
2015	98,535	32,973	131,508
2016-2020	470,226	119,251	589,477
2021-2025	353,510	51,042	404,552
2026-2028	<u>191,009</u>	<u>11,268</u>	<u>202,777</u>
	<u>\$ 1,649,140</u>	<u>\$ 387,077</u>	<u>\$ 2,036,217</u>

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 6: Long-Term Debt (Continued)

**D. Capital Lease**

On November 27, 2006, the District entered into a long-term capital lease agreement with Verizon for the purpose of constructing a permanent cell tower. The first ten years of uncollected lease payments represent the cost of constructing the tower which is owned by the District. If the lease is terminated within the first ten years, the District will owe Verizon the remaining construction cost. The first ten year period commenced November 1, 2008. The capital lease totals \$155,731 based on discounting at 3% the monthly lease amount of \$1,500. The capital lease liability is being retired using a 3% interest rate as well. The balance of the capital lease at June 30, 2010 was \$118,577.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 14,702	\$ 3,298	\$ 18,000
2012	15,141	2,859	18,000
2013	15,594	2,406	18,000
2014	16,060	1,940	18,000
2015	16,540	1,460	18,000
2016-2018	<u>40,540</u>	<u>1,460</u>	<u>42,000</u>
	<u>\$ 118,577</u>	<u>\$ 13,423</u>	<u>\$ 132,000</u>

**E. Change in Long-term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Notes payable	\$1,370,830	\$ 400,511	\$ (122,201)	\$ 1,649,140	\$ 137,337
Capital lease	132,853		(14,276)	118,577	14,702
Postemployment benefits		110,000	(68,711)	41,289	
Compensated absences	<u>118,190</u>		<u>(4,313)</u>	<u>113,877</u>	<u>50,384</u>
Long-term liabilities	<u>\$ 1,621,873</u>	<u>\$ 510,511</u>	<u>\$ (209,501)</u>	<u>\$ 1,922,883</u>	<u>\$ 202,423</u>

Note 7: Agency: Special Assessment Debt

The District acts as an agent for the Stewart Mine Road Water Assessment District 98-1 Bonds, issued on August 24, 1999. This debt was not included in the District's accounting records because the District had no obligation for the payment of these bonds other than in a fiduciary capacity. The principal amount outstanding at June 30, 2010 and June 30, 2009, was \$221,900 and \$225,800, respectively.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 7: Agency: Special Assessment Debt (Continued)

Construction relating to various improvement districts has been financed in part by assessment of benefited property owners in the form of special assessment bonds authorized under the Improvement Bond Act of 1915. Bonds in the amount of \$774,002 have been issued for the benefit of Greenwood, Cool-Cherry Acres, Spanish Dry Diggins, and Line Extensions 77-5 water improvement districts. These bonds were originally issued through Farmers Home Administration, later transferred to General Electric Capital Corporation and subsequently acquired by CapMark. During 2009 CapMark was acquired by Berkadia. The principal amount outstanding at June 30, 2010 and June 30, 2009 was \$205,000 and \$234,000, respectively.

Note 8: On-Site Wastewater Disposal Zone (O.S.W.D.Z.)

During the early part of 1984, it became apparent that a proposed sewer assessment district was not going to be approved and that the assimilation alternative of combining certain lots in the Auburn Lake Trails (A.L.T.) subdivision was a possibility. By letter dated April 24, 1984, Trans America Development Corporation (TADCO) and A.L.T. property owners jointly requested the formation of an on-site wastewater disposal zone which would be monitored by the District. The O.S.W.D.Z. was formed pursuant to the authority granted under Sections 6950 et seq. of the Health and Safety Code of the State of California and became operative by board resolution on March 19, 1985. The effective date for accounting for revenues and expenses was April 1, 1985.

The purpose of the O.S.W.D.Z. is to protect the ground and surface water within the District boundaries in compliance with Regional Water Quality Control Board requirements. The District's responsibility is to design and inspect new on-site disposal systems and to monitor the surface and ground water quality and system performance of existing systems.

The O.S.W.D.Z. assessment revenues charged will be restricted to pay the operating costs of the O.S.W.D.Z. No unrestricted District funds can be used to pay expenses of the O.S.W.D.Z.

Effective for the fiscal year ended June 30, 1998, the O.S.W.D.Z. Capital Expenditure Reserve was established. The O.S.W.D.Z. Capital Expenditure Reserve fund has had little activity over the years. The fund was inactivated May 13, 2008.

In addition to the O.S.W.D.Z., the District, by contract, has taken over operation of the Community Disposal System (C.D.S.) of one hundred thirty-nine lots within the A.L.T. subdivision. These property owners pay additional assessments for operation and maintenance of the C.D.S. The C.D.S. Expansion Benefit Reserve was established July 1, 2000 and currently receives annual transfers in an effort to achieve the reserve level approved by the District in April 2005.

Note 9: Restricted Benefit Charges

This non-operating revenue is comprised of various benefit charges and interest earned on the corresponding deposits. The implementation of the facility capacity charges on July 1, 2008 replaced the previous treatment plant, pipeline, and storage benefit charges. Pursuant to District ordinance, this revenue is restricted in special accounts which are to be used exclusively as follows:

Water development charge funds: To develop alternate sources of raw water to meet long-term District requirements.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 9: Restricted Benefit Charges (Continued)

Facility Capacity Charge Fund: For maintenance and/or improvements of the treatment plants, pipeline facilities, and storage facilities.

O.S.W.D.Z./C.D.S. replacement and expansion benefit charge funds: For maintenance, improvement, and/or expansion of the community disposal system as well as facilitating improvements in the O.S.W.D.Z.

Note 10: Net Assets

Net Assets are the excess of all the District's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which are determined only at the government-wide level, proprietary funds, and fiduciary funds (trust funds only), and are described below.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Net Asset Restrictions

Restricted net assets consist of constraints placed on net asset use through external creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Net assets restricted for new facilities represent the net assets accumulated from restricted benefit charges imposed by District ordinances for the maintenance and expansion of facilities. Net assets restricted for debt service are required by the debt agreements.

Unrestricted Net Assets

The term, unrestricted, describes the portion of net assets which is not restricted as to use.

The Board has designated portions of the unrestricted net assets for specific operating purposes in an effort to provide for the prudent operations of the District.

Retiree: To provide for the estimated future retiree health insurance benefits of existing retirees and current employees who have bargained for the benefit.

Georgetown/Buckeye and Garden Valley: For use in activities specific to the designated area.

Hydroelectric: To provide for hydroelectric activities.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 10: Net Assets (Continued)

Restricted and unrestricted net assets are identified by use as follows as of June 30, 2010:

	<u>Water</u>	<u>Wastewater Disposal</u>	<u>Total</u>
Restricted Net Assets:			
New Facilities:			
Water Development	\$ 373,284	\$ -	\$ 373,284
Stumpy Meadows Emergency Reserve	2,118,472		2,118,472
Facility Capacity Charges	1,527,695		1,527,695
Short-lived Asset Replacement	1,475,486		1,475,486
C.D.S. Replacement		43,626	43,626
C.D.S. Expansion		105,139	105,139
	<u>5,494,937</u>	<u>148,765</u>	<u>5,643,702</u>
Total New Facilities Net Assets			
Debt Service:			
Kelsey North	\$ 53,508	\$ -	\$ 53,508
Kelsey South	114,435		114,435
Pilot Hill South	112,202		112,202
	<u>280,145</u>		<u>280,145</u>
Total Debt Service Net Assets			
Total Restricted Net Assets	<u>\$ 5,775,082</u>	<u>\$ 148,765</u>	<u>\$ 5,923,847</u>
Unrestricted Net Assets:			
Unrestricted Designated Net Assets:			
Retiree	\$ 496,596	\$ -	\$ 496,596
Georgetown/Buckeye	5,876		5,876
Garden Valley	110,863		110,863
Hydroelectric	267,958		267,958
	<u>881,293</u>		<u>881,293</u>
Total Unrestricted Designated Net Assets			
Unrestricted Undesignated Net Assets	<u>2,149,397</u>	<u>154,804</u>	<u>2,304,201</u>
Total Unrestricted Net Assets	<u>\$ 3,030,690</u>	<u>\$ 154,804</u>	<u>\$ 3,185,494</u>

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements

June 30, 2010

### Note 11: Risk Management

The District 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 District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWAJPIA), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The purpose of ACWAJPIA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expenses. The District pays annual premiums to the ACWAJPIA for its general liability, automobile, property coverage, and workers' compensation. The agreement for formation of the ACWAJPIA provides that the ACWAJPIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event, except for workers compensation which will reinsure for claims in excess of \$2,000,000. The deductibles for the ACWAJPIA do not exceed \$2,500.

The District continues to carry commercial insurance for employee health and life insurance. The District also carries commercial insurance for dental and optical insurance for the union employees and all new employees.

### Note 12: Defined Benefit Pension Plan

#### A. **Plan Description and Plan Change**

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

#### B. **Funding Policy**

Active plan members are required to contribute 8% of annual covered salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for the fiscal year ending June 30, 2010 were 30.068% and 10.923% of annual covered salary for active employees depending on the employee's date of hire. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established, and may be amended, by CalPERS. The District contributions for the fiscal years ending June 30, 2010, 2009, and 2008, were \$319,983, \$332,524 and \$314,891, respectively, and equal 100% of the required contributions for each fiscal year.



# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2010

### Note 13: Description of Deferred Compensation Pension Plans

The District has two deferred compensation plans. All amounts of compensation deferred under the plans, all property and rights purchased with these amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees and their beneficiaries. No part of the corpus or income of the trust shall revert to employer or be used for or diverted for purposes other than for the exclusive benefit of participants and their beneficiaries.

Only employee contributions were made to the Internal Revenue Code Section 457 deferred compensation plan or the Internal Revenue Code Section 401(a) defined contribution money purchase plan for the fiscal year ended June 30, 2010. This has been the District's practice since July 11, 2006.

The District is the administrator of the plans. The ICMA Retirement Corporation holds the funds in a trust and also advises as to legality, files appropriate plan documentation, and reports the quarterly activities to each plan participant.

### Note 14: Post-Employment Benefits Other Than Pensions

#### **A. Plan Description**

The District provides certain health insurance benefits to retired employees in accordance with a memorandum of understanding with International Union of Operating Engineers, Stationary Engineers, Local No. 39 (Union) and Ordinance 2006-01.

For employees who retire from the District after at least twenty (20) years of service with the District and who continue health insurance through a District-sponsored health insurance plan until the age of 65, the District will contribute up to \$435 per month of the health insurance premium for the retiree and/or the retiree's spouse. At the age of 65, the retiree is required to enroll in Medicare and the District will continue to contribute up to \$435 per month to a Medicare supplemental plan of the retiree's or retiree spouse's choice.

Effective February 7, 2006, the District extended the benefit described above to all new employees, as well as the employees who are part of the Union. However, the District administers a wide variety of other retirement benefits based on the plans in place when various long-term employees' retired and in conjunction with Ordinance 2006-01. None of the previous arrangements are being extended to any new employees of the District.

#### **B. Funding Policy**

The District's policy is to contribute an amount sufficient to pay the estimated amount required to cover benefits for the existing employees who may retire with 20 years of service. For fiscal year 2009-10, the District paid \$93,469 for retiree benefits and received retiree contributions of \$24,758, for a net cost of \$68,711. Currently, there are 14 retirees who are receiving benefits. The District administers the plan described above and has accumulated \$496,997 for these benefits as of June 30, 2010. However, as the plan is not administered with an irrevocable trust, this amount cannot be considered for prefunding.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 14: Post-Employment Benefits Other Than Pensions (Continued)

**C. Annual OPEB and Net OPEB Obligation**

As the District administers the non-pension post-employment benefits plan, the District records the annual retiree benefit expense as the annual premium expense adjusted to the annual required contribution (ARC). The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45's Alternative Measurement Method allowed for employers with less than 100 plan members (active employees and eligible retirees). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 110,000
Annual OPEB cost (expense)	<u>110,000</u>
Contributions made	<u>(68,711)</u>
Increase in net OPEB obligation	41,289
Net OPEB obligation - beginning of fiscal year	
Net OPEB obligation - end of fiscal year	<u><u>\$ 41,289</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>OPEB Obligation (Asset)</u>
6/30/2008	\$ -	0%	\$ -
6/30/2009	-	0%	-
6/30/2010	110,000	62%	41,289

**D. Funded Status and Funding Progress**

As of June 30, 2009, the most recent Alternate Measurement Method valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$41,289 and the unfunded actuarial accrued liability (UAAL) of \$1,428,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,448,117, and the ratio of the UAAL to the covered payroll was 99 percent.

The Alternate Measurement Method valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2010

Note 14: Post-Employment Benefits Other Than Pensions (Continued)

### **E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Alternate Measurement Method valuation (valuation) methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 valuation, the attained age cost method was used. The valuation assumptions included a 3 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 4 percent, and an annual healthcare cost trend rate of 5.6 percent. There are no assets designated for the plan as of June 30, 2010. The UAAL is being amortized over the average number of years remaining to be worked to reach the average retirement age of the active employees. The remaining amortization period at June 30, 2009 was thirteen years.

Note 15: Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the District was \$115,760.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (California Communities), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were to be paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The District participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value, as a result, no gain or loss was recorded.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2010**

Note 16: Revenue Limitation Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new, increase, or extended taxes and assessments subject to the provisions of Proposition 218, requires the voters' approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative process and may be rescinded in the future years by the voters.

Note 17: Contingent Liabilities

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor Agencies. Although such audits could generate expenditure disallowances under the term of the grants, it is believed that any required reimbursements will be immaterial.

Note 18: Subsequent Event

On April 4, 1995, the District and the El Dorado County Water Agency (EDCWA) entered into a Memorandum of Understanding and associated Cost Share Agreement (Agreement) in anticipation of receiving supplemental water pursuant to Public Law 101-514. Public Law 101-514 allows the EDCWA to obtain from the Bureau of Reclamation up to 15,000 acre feet of water annually from Folsom Lake or for exchange upstream from the American River. In June of 2010, EDCWA legal counsel began discussions concerning the possible cancelation of the Agreement which would provide a refund of \$197,163 in costs already paid by the District per the agreement. In addition, the District would be relieved of the deferred future payment of \$697,407. On September 14, 2010, the Board of Directors authorized the execution of an agreement with EDCWA to cancel the Agreement.

**SUPPLEMENTARY INFORMATION**

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**  
**Schedule of Operating Expenses**  
**For the Fiscal Year Ended June 30, 2010**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2009)**

	Source of Water Supply	Transmission and Distribution - Raw Water	Water Treatment	Transmission and Distribution - Treated Water	Customer Service	Administrative and Hydroelectric	Site Wastewater Disposal Zone	2010	2009
Salaries and part-time labor	\$ 112,857	\$ 276,716	\$ 280,490	\$ 222,891	\$ 223,007	\$ 288,218	\$ 98,733	\$ 1,502,912	\$ 1,498,851
CalPERS benefits	23,700	61,644	52,787	50,120	56,135	47,468	28,129	319,983	332,524
Payroll taxes	11,117	19,678	23,398	17,820	16,147	24,541	8,890	121,591	116,654
Insurance - health and life plans	21,642	51,274	49,192	47,028	37,633	55,148	21,089	283,006	286,185
Insurance - workers' compensation	4,160	16,659	8,331	8,585	1,031	2,975	4,394	46,135	61,481
Insurance - District plan	-	-	-	-	-	14,329	-	14,329	11,723
Accounting and audit fees	-	-	-	-	-	8,330	-	8,330	8,160
Building maintenance and repairs	-	-	373	-	-	8,098	-	8,471	7,749
Director stipends	-	-	-	-	-	24,000	-	24,000	24,000
Engineering fees	21,175	-	7,371	1,170	-	18,249	-	47,965	7,701
Insurance - general	1,813	15,486	14,973	13,697	6,508	12,133	6,155	70,765	96,232
Legal - general	1,748	15,074	1,364	-	6,258	39,797	2,159	66,400	50,989
Supplies, rentals and durable goods	12,558	12,033	83,453	29,029	545	941	4,058	142,617	127,503
Office supplies	-	61	1,525	469	10,997	10,955	2,778	26,785	23,956
Outside services	4,578	6,663	5,086	6,453	702	34,966	2,174	60,622	118,563
Retiree benefits	-	-	-	-	-	134,758	-	134,758	72,088
Development and travel	97	421	3,151	845	1,462	9,047	1,481	16,504	18,124
Utilities	74	209	140,745	5,796	1,518	16,294	7,697	172,333	184,416
Equipment and vehicle maintenance	6,791	8,215	2,572	6,715	2,747	8,065	3,438	38,543	32,720
Vehicle operations	6,143	18,809	4,118	11,051	-	4,107	5,021	49,249	47,334
Regulatory requirements and fees	25,721	(317)	29,871	528	84	5,031	32,557	93,475	101,699
Other - County election admin.	-	-	-	-	-	-	-	-	8,026
Other - County property tax admin.	-	-	-	-	-	34,080	-	34,080	34,835
Other - Memberships	-	-	-	151	850	11,213	330	12,544	10,083
Depreciation	109,244	72,851	132,810	215,368	41,749	12,725	32,128	616,875	619,770
Amortization	-	-	-	-	-	17,605	-	17,605	11,823
Other	-	649	-	-	5,319	413	373	6,754	7,881
<b>Total</b>	<b>\$ 363,418</b>	<b>\$ 576,125</b>	<b>\$ 841,610</b>	<b>\$ 637,716</b>	<b>\$ 412,692</b>	<b>\$ 843,486</b>	<b>\$ 261,584</b>	<b>\$ 3,936,631</b>	<b>\$ 3,921,070</b>

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Restricted Plant Benefit Charges  
and Disclosures  
For the Fiscal Year Ended June 30, 2010**

	<u>Water Development</u>	<u>Capital Facility Charges</u>	<u>Short-lived Asset Replacement</u>	<u>Community Disp. System Rep. Benefit</u>	<u>Comm. Disp. System Expan. Benefit</u>	<u>Total</u>
Balance at 6/30/2009	\$ 373,931	\$ 1,505,699	\$ -	\$ (14,199)	\$ 91,784	\$ 1,957,215
Activity for fiscal year ended 6/30/2010:						
Sources:						
Transfer of Water Unrestricted Reserves to Accommodate USDA Requirement			1,464,393			1,464,393
Delinquent Loan & Noncompliant Lot Payments				57,790		57,790
Miscellaneous Loan Program Fees				35		35
Transfer per District Reserve Policy					13,000	13,000
Interest earned	5,713	6,646	11,093		355	23,807
Restricted benefit charges	8,640	15,350				23,990
<b>Total sources</b>	<b>14,353</b>	<b>21,996</b>	<b>1,475,486</b>	<b>57,825</b>	<b>13,355</b>	<b>1,583,015</b>
Uses:						
Investment in Central Valley Water Service Contract Costs	(15,000)					(15,000)
<b>Total Uses</b>	<b>(15,000)</b>					<b>(15,000)</b>
Balance at 6/30/2010	\$ 373,284	\$ 1,527,695	\$ 1,475,486	\$ 43,626	\$ 105,139	\$ 3,525,230



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Georgetown Divide Public Utility District  
Georgetown, California

We have audited the financial statements of the business-type activities, each major fund, and the fiduciary fund of the Georgetown Divide Public Utility District (District) as of and for the fiscal year ended June 30, 2010 which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to the management of the District in a separate letter dated October 14, 2010.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the Board of Directors, and the State of California and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
October 14, 2010

**GEORGETOWN PUBLIC UTILITY DISTRICT**

**MANAGEMENT REPORT  
AND  
AUDITOR'S COMMUNICATION LETTER**

**For the Fiscal Year Ended  
June 30, 2010**



MOSS, LEVY & HARTZHEIM LLP

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October 14, 2010

To the Board of Directors of  
the Georgetown Public Utility District  
Georgetown, California

RE: Recommendations and suggestions resulting from the annual audit of the Georgetown  
Public Utility District for the fiscal year ended June 30, 2010

Honorable Board Members:

Having completed the annual audit of the District's records for the fiscal year ended June 30, 2010, we would like to take this opportunity to bring to your attention the following observations, recommendations, and suggestions we feel are appropriate at this time:

**Internal Control**

1. Finding – No formal accounting policies exist for the District or written guidelines for the audit committee:

During the review of internal controls, it was noted that there are no formal accounting policies with regards to purchasing, adjustments to customer accounts, internal and external audits, procedures for establishing and closing a fund, closing practices for preparation of financial statements, late fee reversals, or travel and employee reimbursements. Also, there are no written guidelines for the Audit Committee, which would outline the Committee's duties and responsibilities.

Effect:

Without formal accounting policies for the above mentioned areas, it will be impossible for accounting principles to be applied uniformly by all employees for all financial transactions. Also, without duties and responsibilities outlined for the Audit Committee, the Committee does not have any guidelines to follow to ensure that they are operating as intended.

Recommendation:

We recommend that the District establish formal accounting policies for the above mentioned accounting areas and Audit Committee guidelines for the Committee.

Management's Response:

The District concurs that written policies would be helpful in orienting new staff and in the event of staff turnover. The plan is to develop these policies over the next year once the vacant Administrative Aide position is filled.

2. Finding – Signed accounts payable checks are returned to preparer:

During the review of internal controls, it was noted that accounts payable checks are returned to the preparer, after they have been signed.

Effect:

Proper segregation of duties calls for an individual who is independent of check preparation to handle the checks after they have been signed.

Recommendation:

We recommend that the District ensure that signed checks are handled by an individual who is independent of check preparation duties.

Management's Response:

The District considers the review of unopened bank statements by the General Manager to be a significant internal control. However, when the vacant Administrative Aide position is filled, the District plans to reorganize work to allow for increased segregation of duties.

3. Finding – Journal entries not signed by preparer or reviewer:

During the review of internal control, it was noted that numerous journal entries are not signed by the preparer or reviewer.

Effect:

Proper internal controls call for review and approval of the journal entries by a responsible individual before being posted, in order to avoid unauthorized entries to the general ledger.

Recommendation:

We recommend that the District ensure that all journal entries be reviewed and signed by a responsible individual before being posted.

Management's Response:

It is not considered necessary for the preparer of journal entries to sign them since their name is on each journal entry. Routine journal entries are reviewed and signed by the Business/Finance Manager. The few non-routine journal entries prepared by the Business/Finance Manager are not being reviewed and signed because this level of work is within the positions required duties. The General Manager is advised of these entries as necessary.

4. Finding – Supporting documentation not presented to check signers:

During the review of internal control, it was noted that supporting documentation such as invoices and purchase orders are not presented to the check signers for review at the time of check signing.

Effect:

Without supporting documentation for the checks being signed, such as approved invoices and purchase orders, it is impossible for the check signers to verify that the expenditures have been approved by the correct authorities before authorizing the payment of the check.

Recommendation:

We recommend that the District ensure that all supporting documentation be presented with checks when submitted to the check signers for signatures.

Management's Response:

The District acknowledges that in most businesses paying bills is delegated to staff and done on a more frequent basis. This delegated activity accommodates the recommended review. The District prepares checks from invoices that are reviewed by the General Manager and another Manager. However, the District's policy of having the Board of Directors review a detailed listing of the vendors to be paid during the month at each Board of Directors meeting complies with the Public Utility Code. Any support required by the check signer has been and can be provided as needed.

5. Finding – Lack of formal review of adjustments to customer accounts

During the review of internal control, it was noted that there is only a random spot-checking of customer account adjustments.

Effect:

Without a formal review of all customer account adjustments, an unauthorized adjustment could occur and go undetected.

Recommendation:

We recommend that all customer account adjustments be reviewed by a responsible employee, on a monthly basis.

Management's Response:

Currently, the Administrative Aides are given the authority to adjust customer accounts for one time leakage considerations and reversals of late fees. This authority is granted to facilitate customer service. The Business/Finance Manager analytically reviews these adjustments when preparing the quarterly financial statements and performs spot checks as needed. In the future, the Business/Finance Manager plans to take the additional time required to review these adjustments monthly as part of the month-end closing process.

**Credit Card Usage**

6. Finding – Insufficient documentation on credit card receipts

During the review of credit card payments, we noted that four restaurant receipts lacked the purpose of the meeting.

Effect:

Without written documentation of the purpose of a lunch meeting, it is difficult to determine the business purpose of the lunch.

Recommendation:

We recommend that all credit card receipts have the business purpose stated on them, for future verification.

Management's Response:

The District has one District credit card and it is used by the General Manager or at his direction. He is aware of the documentation requirements for using the credit card.

**Payroll**

7. Finding – One employee incorrectly accrued vacation and sick leave hours

During our test of payroll, we noted that one employee had unpaid leave, yet still accrued their full vacation and sick leave hours.

Effect:

Employee incorrectly accrued vacation and sick leave hours.

Recommendation:

We recommend that all employees' vacation and sick leave accruals be verified by an employee other than the payroll preparer, on a regular basis.

Management's Response:

It is the District's policy to review payroll accruals as part of the biweekly payroll process. When a District employee goes leave without pay during the pay period, their vacation and sick leave accruals are to be adjusted accordingly. Payroll staff has corrected the .44 hour over accruals and has been reminded of the importance of this review. Additional staffing on payroll preparation days would allow for a more complete review within the payroll deadlines.

**Cash Disbursements**

8. Finding – Purchase order deficiencies

During our test of cash disbursements, we noted one purchase order which lacked an approval signature, three purchase orders that lacked the dollar amount, and two purchase orders that were not obtained/retained.

Effect:

Purchase orders were not prepared correctly and two purchase orders were not prepared at all.

Recommendation:

We recommend that all purchases have a purchase order that is properly completed and retained for future verification.

Management's Response:

The District's policy is to use purchase orders for a wide variety of vendor purchases. During fiscal year 2009-2010, the District issued 695 purchase orders. Staff has been reminded that purchase orders need to be utilized, signed and completed with dollar amounts.

This information is intended solely for the use of the Board of Directors of the Georgetown Public Utility District and management of the Georgetown Public Utility District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, CA



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October 14, 2010

To the Board of Directors of  
the Georgetown Public Utility District  
Georgetown, California

We have audited the financial statements of the Georgetown Public Utility District (District) for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 14, 2010. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated August 30, 2010, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Georgetown Public Utility District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Georgetown Public Utility District are described in Note 1 to the financial statements. We noted no transactions entered into by Georgetown Public Utility District during the fiscal year that were both significant and unusual, and of which, under professional standards we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the funding progress for PERS, the estimated historical cost and useful lives of certain capital assets, and various assumptions used in developing the actuarial values for compliance with GASB Statement No. 45. Management's estimates of the funding progress for PERS is based on PERS's estimate, the estimated historical cost and useful lives of certain capital assets are based on historical data, industry guidelines, and information from District staff, and the assumptions used for GASB Statement No. 45 were developed by industry standards and national statistics. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statement taken as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Georgetown Public Utility District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, and subsequently recorded by Georgetown Public Utility District either individually or in the aggregate, indicates a matter that could have a significant effect on Georgetown Public Utility District's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountants to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Georgetown Public Utility

District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Directors of the Georgetown Public Utility District and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Moss, Levy & Hartzheim*

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