GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
the 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, 2011, 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, 2011, 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 Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2011, 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, contacts, 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.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Schedule of Funding Progress for Other Postemployment Benefits on page 44 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 basic financial statements. 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 basic 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
Culver City, California
November 22, 2011

Management's Discussion and Analysis
June 30, 2011

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, 2011. 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

The year was once again challenging from an economic perspective. Operating and non-operating revenues increased over last year but did not reach the levels expected to continue current service levels. By close monitoring of the budget and cutting expenses where possible, the District was able to keep this year's net loss within $31,130 of last year's net loss. Property taxes declined by $83,606 from the previous fiscal year. The District recognized the loss of $90,906 with the write-off of the Alternative Water Source Study Costs to better position itself financially in the future. The District had accumulated $288,070 of study related costs. During the year, it was determined that the District's ability to obtain supplemental water pursuant to Public Law 101-514 was unlikely. Consequently, the cost sharing agreement to pursue the Public Law 101-514 water was cancelled and the El Dorado County Water Agency agreed to refund $197,164 in costs already paid by the District and relieve the District of a deferred future payment of $697,407. The District's total net assets decreased by $192,711 during fiscal year 2011, including the write-off loss. Operating revenues increased by $81,838 or 3.79 percent to $2,243,075 while operating expenses increased by $226,894 to $4,163,525. Non-operating revenues increased by $112,975 while non-operating expenses decreased by $951. Capital assets, net of accumulated depreciation increased by $357,662 demonstrating the District's commitment to carrying out system maintenance and continue capital improvement efforts. Other significant financial activities were:

- Successfully negotiated an increase of more than $200,000 in the El Dorado County Water Agency cost sharing arrangements for the year.
- Holding salaries and part-time labor to nearly the previous year's level even after implementing the negotiated union increases midyear.
- Reducing the overall CalPERS benefit cost from last year and the year before.
- Incurring nearly $100,000 in legal costs to fight a claim against the District.
- Spending an additional $200,000 on raw water ditch activities during the year.
- Investing an additional $200,204 in equipment and water treatment plant improvements to run the plants more efficiently.
- Investing $315,764 for the recoating of the Hotchkiss Hill and Deer Ravine treated water tanks.
- Investing $300,419 towards the proposed retrofit of the Auburn Lake Trials Water Treatment Plant Retrofit Project.
- Retiring $145,651 of debt which was costing the District more in interest expense than the repayment funds were earning in interest income.

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, 2011; the Statement of Activities for the fiscal year ended June 30, 2011 at the government-wide level; the Statement of Net Assets – Proprietary Funds at June 30, 2011; the Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds for the fiscal year ended June 30, 2011; and the Statement of Cash Flows for the fiscal year ended June 30, 2011 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.

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 attempts 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 $192,711 to $21,463,115 down from $21,655,826 in fiscal year 2010. Total assets declined by $260,322 and liabilities declined by $67,611 from the previous fiscal year. Net Assets Invested in Capital Assets, Net of Related Debt increased by approximately the amount that Unrestricted Net Assets decreased, once again demonstrating the District's investment improvement of facilities. A summary of the District's Statement of Net Assets is presented in Table A-1.

Table A-1
Condensed Statement of Net Assets

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Percent Change
Current Assets	$1,904,848	$1,889,449	$15,399	0.81%
Non-current Assets	65,721		65,721	-
Restricted Assets	6,761,943	7,195,910	(433,967)	-6.03%
Capital Assets, Net of Accumulated Depreciation	14,671,864	14,314,202	357,662	2.50%
Other Assets	57,432	322,569	(265,137)	-82.20%
Total Assets	23,461,808	23,722,130	(260,322)	-1.10%
Current Liabilities	286,518	126,455	160,063	126.58%
Current Restricted Liabilities	13,450	16,966	(3,516)	-20.72%
Long-term Liabilities	1,698,725	1,922,883	(224,158)	-11.66%
Total Liabilities	1,998,693	2,066,304	(67,611)	-3.27%
Invested in Capital Assets, Net of Related Debt	13,176,544	12,546,485	630,059	5.02%
Restricted Net Assets for Facilities	5,473,022	5,643,702	(170,680)	-3.02%
Restricted Net Assets for Debt Service	505,094	659,482	(154,388)	-23.41%
Unrestricted Net Assets	2,308,455	2,806,157	(497,702)	-17.74%
Total Net Assets	$21,463,115	$21,655,826	($192,711)	-0.89%

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 $192,711. Ending net assets totaled $21,463,115. Total revenues increased by $194,813 in 2011 totaling $4,120,155. Operating revenue increases were less than the non-operating revenue increases. Operating revenue increased by $81,838 primarily due to rate increases implemented during the fiscal year. Non-operating revenues increased by $112,975. The District's non-operating income would have decreased without the El Dorado County Water Agency cost sharing arrangement which was $215,775 more than the previous year's cost sharing amount. 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 held its net loss position to within $31,130 of the prior year's net loss. Table A-2 depicts total revenues and total expenses and the resulting changes in net assets.

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

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Percent Change
Operating Revenues	$2,243,075	$2,161,237	$81,838	3.79%
Non-operating Revenues and Contributions	1,877,080	1,764,105	112,975	6.40%
Total Revenues	4,120,155	3,925,342	194,813	4.96%
Operating Expenses	4,163,525	3,936,631	226,894	5.76%
Non-operating Expenses	58,435	59,386	(951)	-1.60%
Total Expenses	4,221,960	3,996,017	225,943	5.65%
Net Income (Loss)	(101,805)	(70,675)	(31,130)	44.05%
Write-off of Fazio Water Study Costs	(90,906)		(90,906)	-
Beginning Net Assets	21,655,826	21,726,501	(70,675)	-0.33%
Ending Net Assets	$21,463,115	$21,655,826	($192,711)	-0.89%

Operating Revenues

In a purely business environment, operating revenues are meant to cover operating expenses, retire debt and provide for future improvements by accumulating reserves. 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 and other needs. Residential water sales were anticipated to increase by approximately 5%. Once again the weather was cooler through the year with a greater amount of rain. Consequently, residential water use was lower than expected just like the revenue. Commercial water sales were anticipated to increase by about 5%. It appears that the previous year's rate increases have caused commercial customers to conserve on their usage. Irrigation water sales were expected to increase by 8%. However, a major repair shortened the prior year's irrigation season resulting in reduced revenue of approximately $19,000. When the prior year's reduced revenue is factored in the increase in irrigation revenue would have been 10%. The remaining operating revenues were close to expectations. Operating revenues are depicted in Table A-3.

Table A-3
Condensed Operating Revenues

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Percent Change
Water Sales - Residential	$1,368,582	$1,310,135	$58,447	4.46%
Water Sales - Commercial	236,042	258,784	(22,742)	-8.79%
Water Sales - Irrigation	215,622	176,327	$39,295	22.29%
Water Disposal Fees and Charges	353,837	343,595	10,242	2.98%
Penalties	63,399	65,385	(1,986)	-3.04%
Connections	4,305	6,865	(2,560)	-37.29%
Other Operating Revenues	1,288	146	1,142	782.19%
Total Operating Revenues	$2,243,075	$2,161,237	$81,838	3.79%

Operating Expenses by Department

Operating expenses increased by $226,894 to $4,163,525. The largest increase was in Raw Water Transmission and Distribution activities and due to the emphasis on maintenance of ditches. Some of the Water Treatment Plant efficiencies paid off this year. Administrative and Hydroelectric would have had savings if nearly $100,000 was not required to fight a claim against the District. Operating expenses are depicted in Table A-4.

Table A-4
Operating Expenses by Department

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Percent Change
Source of Supply	$255,437	$254,174	$1,263	0.50%
Transmission and Distribution – Raw Water	700,971	503,274	197,697	39.28%
Water Treatment	639,227	708,800	(69,573)	-9.82%
Transmission and Distribution – Treated Water	438,645	422,348	16,297	3.86%
Customer Service	338,531	370,943	(32,412)	-8.74%
Administrative and Hydroelectric	837,483	813,156	24,327	2.99%
Depreciation and Amortization	693,586	634,480	59,106	9.32%
On-site Wastewater Disposal Zone	259,645	229,456	30,189	13.16%
Total Operating Expenses	$4,163,525	$3,936,631	$226,894	5.76%

Operating Revenues vs. Operating Expenses

The District's operating loss grew from a loss of $1,775,394 to a loss of $1,920,450, the result of increasing operating revenue by $81,838 and increasing operating expenses by $226,894. 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

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Percent Change
Operating Revenues	$2,243,075	$2,161,237	$81,838	3.79%
Operating Expenses	4,163,525	3,936,631	226,894	5.76%
Operating Loss	($1,920,450)	($1,775,394)	($145,056)	8.17%

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. Property taxes decreased once again this year from $1,416,857 to $1,333,251. Interest income declined from $115,984 to $109,385. Fortunately, the District was able to mitigate these decreases by obtaining cost reimbursements in the amount of $251,772 from the El Dorado County Water Agency. Table A-6 compares non-operating revenues and expenses.

Table A-6
Non-Operating Revenues and Expenses

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Percent Change
Property Taxes – General	$1,333,251	$1,416,857	($83,606)	-5.90%
Interest Income	109,385	115,984	(6,599)	-5.69%
Water Agency Cost Reimbursement	251,772	35,997	215,775	599.42%
Restricted Benefit Charges	23,300	23,990	(690)	-2.88%
Lease Revenue	42,905	44,869	(1,964)	-4.38%
Hydroelectric Royalty Payments	40,976	40,164	812	2.02%
Other	75,491	86,244	(10,753)	-12.47%
Total Non-Operating Revenues (Including Property Owner Contributions)	1,877,080	1,764,105	112,975	6.40%
Total Non-operating Expenses	58,435	59,386	(951)	-1.60%
Non-operating Income less Non-operating Expense	$1,818,645	$1,704,719	$113,926	6.68%

Capital Assets

The District's investment in capital assets for the year was $1,034,978 while depreciation expense was $675,470. There was a $1,846 loss on disposal of certain equipment that was replaced. The disposed equipment was not functioning but was not fully depreciated when replaced. The investment in capital improvements are as follows:

- $315,763 to recoat the Hotchkiss Hill and Deer Ravine water tanks,
- $300,419 for moving the Auburn Lake Trails Water Treatment Plant Retrofit project forward,
- $200,204 for treatment plant improvements for increasing reliability and efficiency,
- $78,198 for upcountry reliability ditch improvements,
- $43,451 for the permit licensing process to better secure the District's water rights,
- $38,442 for a new excavator,
- $17,600 to replace twin 15 inch pipes through school by Crails,
- $18,113 for distribution telemetry, an altitude valve and outlet pipe project and a crane,
- $7,374 for work related to the cell tower,
- $4,717 for a new server, and
- $10,697 for a new waste water camera and sealing of manholes. 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, 2011, the District had $1,698,725 in long-term debt, including compensated absences and other postemployment benefits obligation, $224,158 less than the prior fiscal year. The decrease was due to the scheduled debt payments and a prepayment of $145,651. 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 implemented *Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* last 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, 2011 is $1,290,449. The District has set aside $497,656 for this obligation. As the District administers this plan without a trust, the designated assets set aside for these benefits are 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.

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, 2011.

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 during fiscal year 2010. In addition, the adopted rate increase of 5% for fiscal year 2011 was nearly achieved. It is expected that the adopted rate increase for fiscal year 2012 will yield 5%. Irrigation water revenue fell short of the expected 8% for the 2010 irrigation season due to the delay of the start of the season. The 2011 season achieved the 8% increase. Irrigation revenue is expected to be the same as the 2011 season for the 2012 season. Wastewater services revenue exceeded the expected 3 % increase due to an increase in escrow inspection fees this year. It is anticipated that wastewater revenue will remain about the same in fiscal year 2012. The District is in the process of reviewing its rates in conjunction with the anticipated loan required to finish the Auburn Lake Trials Water Treatment Plant retrofit project and needed reserves.

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 95634-4240

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Statement of Net Assets
June 30, 2011
(With Comparative Totals as of June 30, 2010)

	Business-type Activities 2011	Business-type Activities 2010
Assets		
Current Assets:		
Cash and investments	$ 1,201,012	$ 1,363,938
Receivables:		
Accounts	531,477	419,384
Interest	731	1,676
Current portion of long-term receivable	65,721	
Inventory	4,476	12,260
Deposits and prepaid expenses	101,431	92,191
Total Current Assets	1,904,848	1,889,449
Non-current Assets:		
Non-current portion of long-term receivable	65,721	
Total Non-current Assets	65,721	
Restricted Assets:		
Cash and investments	6,007,106	6,340,135
Receivables:		
Accounts	1,200	
Interest	12,827	13,112
Current assessments	85,415	86,875
Non-current assessments receivable	655,395	755,788
Total Restricted Assets	6,761,943	7,195,910
Capital assets - net of accumulated depreciation	14,671,864	14,314,202
Other Assets:		
Special studies, net of accumulated amortization	57,432	322,569
Total Other Assets	57,432	322,569
Total Assets	$ 23,461,808	$ 23,722,130

(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, 2011
(With Comparative Totals as of June 30, 2010)

	Business-type Activities	
	2011	2010
Liabilities		
Current Liabilities:		
Accounts payable	$ 238,384	$ 89,245
Accrued expenses	29,979	24,027
Deposits payable	3,894	3,894
Unearned revenue	14,261	9,289
Total Current Liabilities	286,518	126,455
Current Liabilities Payable from Restricted Assets:		
Accrued interest payable	10,592	12,765
Accounts payable	1,687	3,030
Unearned revenue	1,171	1,171
Total Current Liabilities Payable from Restricted Assets	13,450	16,966
Noncurrent Liabilities:		
Due in one year	160,392	202,423
Due in more than one year	1,538,333	1,720,460
Total Noncurrent Liabilities	1,698,725	1,922,883
Total Liabilities	1,998,693	2,066,304
Net Assets		
Invested in capital assets, net of related debt	13,176,544	12,546,485
Restricted for new facilities	5,473,022	5,643,702
Restricted for debt service	505,094	659,482
Unrestricted	2,308,455	2,806,157
Total Net Assets	$ 21,463,115	$ 21,655,826

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Statement of Activities
For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Capital Contributions and Grants	2011	2010
Business-type activities:					
Water	$ 3,929,930	$ 1,888,709	$ -	$ (2,041,221)	$ (1,916,791)
Wastewater Disposal	292,030	354,366		62,336	82,011
Total business-type activities	$ 4,221,960	$ 2,243,075	$ -	(1,978,885)	(1,834,780)
General Revenues					
Taxes:					
Property taxes				1,333,251	1,416,857
Investment income				109,385	115,984
Other				434,444	231,264
Total general revenues				1,877,080	1,764,105
Change in net assets				(101,805)	(70,675)
Write-off of Fazio Water Study Costs				(90,906)	
Net assets at beginning of fiscal year				21,655,826	21,726,501
Net assets at end of fiscal year				$ 21,463,115	$ 21,655,826

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, 2011
(With Comparative Totals as of June 30, 2010)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2011	2010
Assets				
Current Assets:				
Cash and investments	$ 969,988	$ 231,024	$ 1,201,012	$ 1,363,938
Receivables:				
Accounts	526,113	5,364	531,477	419,384
Interest	602	129	731	1,676
Current portion of long-term receivable	65,721		65,721	
Inventory	4,476		4,476	12,260
Deposits and prepaid expenses	98,695	2,736	101,431	92,191
Total Current Assets	1,665,595	239,253	1,904,848	1,889,449
Non-current Assets:				
Non-current portion of long-term receivable	65,721		65,721	
Total Non-current Assets	65,721		65,721	
Restricted Assets:				
Cash and investments	5,846,657	160,449	6,007,106	6,340,135
Receivables:				
Accounts		1,200	1,200	
Interest	12,715	112	12,827	13,112
Current assessments	85,415		85,415	86,875
Non-current assessments receivable	655,395		655,395	755,788
Total Restricted Assets	6,600,182	161,761	6,761,943	7,195,910
Capital Assets - net of accumulated depreciation	14,299,052	372,812	14,671,864	14,314,202
Other Assets:				
Special studies, net of accumulated amortization	57,432		57,432	322,569
Total Other Assets	57,432		57,432	322,569
Total Assets	$ 22,687,982	$ 773,826	$ 23,461,808	$ 23,722,130

(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, 2011
(With Comparative Totals as of June 30, 2010)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2011	2010
Liabilities				
Current Liabilities:				
Accounts payable	$ 235,592	$ 2,792	$ 238,384	$ 89,245
Accrued expenses	27,599	2,380	29,979	24,027
Deposits payable	3,894		3,894	3,894
Deferred revenue	14,261		14,261	9,289
Total Current Liabilities	281,346	5,172	286,518	126,455
Current Liabilities Payable from Restricted Assets:				
Accrued interest payable	10,592		10,592	12,765
Accounts payable	1,687		1,687	3,030
Deferred revenue	1,171		1,171	1,171
Total Current Liabilities Payable from Restricted Assets	13,450		13,450	16,966
Noncurrent Liabilities:				
Due in one year	153,600	6,792	160,392	202,423
Due in more than one year	1,537,775	558	1,538,333	1,720,460
Total Long-Term Liabilities	1,691,375	7,350	1,698,725	1,922,883
Total Liabilities	1,986,171	12,522	1,998,693	2,066,304
Net Assets				
Invested in capital assets, net of related debt	12,803,732	372,812	13,176,544	12,546,485
Restricted for new facilities	5,311,261	161,761	5,473,022	5,643,702
Restricted for debt service	505,094		505,094	659,482
Unrestricted	2,081,724	226,731	2,308,455	2,806,157
Total Net Assets	$ 20,701,811	$ 761,304	$ 21,463,115	$ 21,655,826

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, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2011	2010
Operating Revenues:				
Water sales:				
Residential	$ 1,368,582	$ -	$ 1,368,582	$ 1,310,135
Commercial	236,042		236,042	258,784
Irrigation	215,622		215,622	176,327
Installations and connections	4,305		4,305	6,865
Waste disposal:				
Zone charges		331,770	331,770	320,845
Design fees		1,200	1,200	
Escrow fees		20,867	20,867	22,750
Penalties	63,399		63,399	65,385
Other	759	529	1,288	146
Total Operating Revenues	1,888,709	354,366	2,243,075	2,161,237
Operating Expenses:				
Source of supply	255,437		255,437	254,174
Transmission and distribution - raw water	700,971		700,971	503,274
Water treatment	639,227		639,227	708,800
Transmission and distribution - treated water	438,645		438,645	422,348
Customer service	338,531		338,531	370,943
Administrative and hydroelectric	837,483		837,483	813,156
Depreciation and amortization	661,356	32,230	693,586	634,480
On-Site Wastewater Disposal Zone		259,645	259,645	229,456
Total Operating Expenses	3,871,650	291,875	4,163,525	3,936,631
Operating Income (Loss)	(1,982,941)	62,491	(1,920,450)	(1,775,394)
Non-operating Revenues:				
Tax revenue - general	1,333,251		1,333,251	1,416,857
Interest income	108,486	899	109,385	115,984
Water Agency Cost Sharing	251,772		251,772	35,997
Restricted benefits charges	23,300		23,300	23,990
Lease revenue	42,905		42,905	44,869
Hydroelectric royalty payment	40,976		40,976	40,164
Other	75,491		75,491	86,244
Total Non-operating Revenues	1,876,181	899	1,877,080	1,764,105
Non-operating Expenses:				
Interest	48,493		48,493	50,038
Loss on disposal of capital assets	1,691	155	1,846	
Other	8,096		8,096	9,348
Total Non-operating Expenses	58,280	155	58,435	59,386
Non-operating Income (Loss)	1,817,901	744	1,818,645	1,704,719
Net Income (Loss)	(165,040)	63,235	(101,805)	(70,675)
Write-off of Alternative Water Source Cost	(90,906)		(90,906)	
Net Assets, Beginning of Fiscal Year	20,957,757	698,069	21,655,826	21,726,501
Net Assets, End of Fiscal Year	$ 20,701,811	$ 761,304	$ 21,463,115	$ 21,655,826

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, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2011	2010
Cash Flows from Operating Activities:				
Receipts from customers	$ 1,647,894	$ 356,544	$ 2,004,438	$ 2,135,932
Payments to suppliers for goods and services	(757,269)	(84,095)	(841,364)	(1,130,873)
Payments to or on behalf of employees for service	(2,244,848)	(184,887)	(2,429,735)	(2,305,852)
Net Cash Provided (Used) By Operating Activities	(1,354,223)	87,562	(1,266,661)	(1,300,793)
Cash Flows from Noncapital Financing Activities				
Property taxes	1,333,251		1,333,251	1,416,857
Assessment receivable payments	101,853		101,853	100,144
Restricted benefits charges received	23,300		23,300	23,990
Other revenues	411,144		411,144	149,484
Net Cash Provided By Noncapital Financing Activities	1,869,548		1,869,548	1,690,475
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of long-term debt				400,511
Proceeds from disposal of property, equipment, and special studies	197,163			
Acquisition of property, equipment, and special studies	(1,065,330)	(10,697)	(1,076,027)	(647,210)
Principal payments on long-term debt	(272,397)		(272,397)	(136,477)
Interest payments on long-term debt	(50,666)		(50,666)	(48,780)
Other non-operating expense	(8,096)		(8,096)	(9,348)
Net Cash Used by Capital and Related Financing Activities	(1,199,326)	(10,697)	(1,210,023)	(441,304)
Cash Flows from Investing Activities:				
Proceeds from maturities of investments	1,475,000		1,475,000	770,000
Purchases of investments	(794,000)		(794,000)	(2,445,000)
Waste disposal loan & noncompliant lot payments		(1,200)	(1,200)	57,790
Interest received	109,790	899	110,689	134,794
Net Cash Provided (Used) by Investing Activities	790,790	(301)	790,489	(1,482,416)
Net Increase (Decrease) in Cash and Cash Equivalents	106,789	76,564	183,353	(1,534,038)
Cash and Cash Equivalents, Beginning of Fiscal Year	3,969,164	314,909	4,284,073	5,818,111
Cash and Cash Equivalents, End of Fiscal Year	$ 4,075,953	$ 391,473	$ 4,467,426	$ 4,284,073
Reconciliation to the Statement of Net Assets				
Cash and investments	$ 969,988	$ 231,024	$ 1,201,012	$ 1,363,938
Restricted cash and investments	5,846,657	160,449	6,007,106	6,340,135
Total cash and investments	6,816,645	391,473	7,208,118	7,704,073
Less: investments that do not meet the definition of cash equivalents	(2,739,000)		(2,739,000)	(3,420,000)
Total Cash and Cash Equivalents	$ 4,077,645	$ 391,473	$ 4,469,118	$ 4,284,073

(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, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2011	2010
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (1,982,941)	$ 62,491	$ (1,920,450)	$ (1,775,394)
Noncash items included in operating income (loss):				
Depreciation	643,240	32,230	675,470	616,875
Amortization	18,116		18,116	17,605
Changes in assets and liabilities:				
Decrease (Increase) in operating assets:				
Accounts receivable	(114,345)	2,178	(112,167)	(25,892)
Long-term receivables	(131,442)			
Inventory	7,784		7,784	(2,885)
Deposits and prepaid expenses	(8,523)	(717)	(9,240)	5,598
Increase (decrease) in operating liabilities:				
Accounts payable	157,077	(9,281)	147,796	(105,063)
Accrued expenses	5,706	246	5,952	(69,200)
Compensated absences	22,209	415	22,624	(4,313)
Postemployment benefits	25,615		25,615	41,289
Deferred revenue	4,972		4,972	587
Net Cash Provided (Used) By Operating Activities	$ (1,352,532)	$ 87,562	$ (1,133,528)	$ (1,300,793)

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Statement of Fiduciary Assets and Liabilities
June 30, 2011
(With Comparative Totals for June 30, 2010)

	Agency Fund	
Assets	2011	2010
Cash and investments	$ 75,339	$ 64,188
Receivables:		
Interest	89	88
Current assessments	4,099	3,917
Non-current assessments receivable	196,996	208,698
Total Assets	$ 276,523	$ 276,891
Liabilities		
Current Liabilities:		
Accounts payable	$ 1,125	$ 1,159
Accrued interest payable	3,449	3,514
Deferred revenue	54,149	50,318
Total Current Liabilities	58,723	54,991
Noncurrent Liabilities:		
Due in one year	4,300	4,100
Due in more than one year	213,500	217,800
Total Noncurrent Liabilities	217,800	221,900
Total Liabilities	$ 276,523	$ 276,891

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

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.

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.

Note 1: Significant Accounting Policies (Continued)

D. **Major Funds (Continued)**

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.

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.

Note 1: Significant Accounting Policies (Continued)

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.

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.

Note 1: Significant Accounting Policies (Continued)

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.

O. **Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to conform to the current presentation. These reclassifications had no effect on the previously reported change in net assets.

P. **New Accounting Pronouncement**

GASB Statement No. 59 – *Financial Instruments Omnibus*

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 59, “Financial Instruments Omnibus”. This Statement is effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

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	$ 1,201,012
Restricted cash and investments	6,007,106
Cash and investments, Statement of Net Assets	7,208,118
Cash and investments, Statement of Fiduciary Net Assets	75,339
Total cash and investments	$ 7,283,457

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	$ 425
Deposits with financial institutions	29,286
Investments	7,253,746
Total cash and investments	$ 7,283,457

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	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	$50 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

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:

		Remaining maturity (in Months)				
Investment Type	Totals	12 Months or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months
State Investment Pool (LAIF)	$ 3,720,545	$ 3,720,545	$ -	$ -	$ -	$ -
Certificates of Deposit	2,939,000	1,945,000	695,000	299,000		
Money Market Funds	582,462	582,462				
Held by debt trustees:						
Money Market Funds	11,738	11,738				
	$ 7,253,745	$ 6,259,745	$ 695,000	$ 299,000	$ -	$ -

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.

				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
State Investment Pool (LAIF)	$ 3,720,545	N/A	$ -	$ -	$ -	$ -	$ 3,720,545
Certificates of Deposit	2,939,000	N/A				500,000	2,439,000
Money Market Funds	582,462	N/A					582,462
Held by debt trustees:							
Money Market Funds	11,738	N/A		11,738			
Total	$ 7,253,745		$ -	$ 11,738	$ -	$ 500,000	$ 6,742,007

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. Only investments with LAIF and the Money Market Funds exceed 5% or more of total District investments. The Money Market Funds are 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.

Notes to Basic Financial Statements
June 30, 2011

Note 2: Cash and Investments (Continued)

Restricted cash and investments are identified by use as follows at June 30, 2011:

	Water	Waste Disposal	Total
Debt Service:			
Kelsey South	$ 190,876	$ -	$ 190,876
Kelsey North	117,203		117,203
Pilot Hill South	118,217		118,217
Pilot Hill North	77,620		77,620
State Revolving Fund	11,770		11,770
Total Debt Service Cash and Investments	515,686		515,686
New Facilities:			
Stumpy Meadows Emergency Reserve	2,170,935		2,170,935
Facility Capacity Charges	1,552,385		1,552,385
Short-lived Asset Replacement Reserve	1,223,106		1,223,106
Water Development	384,545		384,545
Community Disposal System Replacement And Expansion		160,449	160,449
Total New Facilities Cash and Investments	5,330,971	160,449	5,491,420
Total Restricted Cash and Investments	$ 5,846,657	$ 160,449	$ 6,007,106

Note 3: Assessments Receivable and Long-term 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, 2011 were as follows:

	Current	Non-current	Total
Water Restricted Assessments Receivable	$ 85,415	$ 655,395	$ 740,810
Fiduciary Assessments Receivable	4,099	196,996	201,095
Total Assessments Receivable	$ 89,514	$ 852,391	$ 941,905

On September 14, 2010, the Board of Directors authorized the execution of an agreement with El Dorado County Water Agency (EDCWA) to receive a refund of costs previously paid to the EDCWA. As of June 30, 2011, $131,442 was receivable from EDCWA, $65,721 of which is current.

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, 2011, consisted of the following:

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Nondepreciable capital assets:					
Land and land rights	$ 770,975	$ -	$ -	$ -	$ 770,975
Construction in progress	159,966	351,244			511,210
Total nondepreciable capital assets	930,941	351,244			1,282,185
Depreciable capital assets:					
General plant equipment and facilities	1,474,037	44,866	(26,137)		1,492,766
Water treatment	5,416,330	200,204	(29,058)		5,587,476
Transmission and distribution	12,870,260	349,768			13,220,028
Auburn Lake Trails septic facilities	847,104	10,697	(1,266)		856,535
Source of supply	6,557,759	78,199			6,635,958
Total depreciable capital assets	27,165,490	683,734	(56,461)		27,792,763
Less: accumulated depreciation	(13,782,229)	(675,470)	54,615		(14,403,084)
Net depreciable capital assets	13,383,261	8,264	(1,846)		13,389,679
Net capital assets	$ 14,314,202	$ 359,508	$ (1,846)	$ -	$ 14,671,864

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	$ 643,240
Wastewater Disposal	32,230
Total Depreciation Expense-Business-type Activities	$ 675,470

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. On September 14, 2010, the Board of Directors authorized the execution of an agreement with the El Dorado County Water Agency to cancel the Central Valley Project Water Service Contract. The agreement allows the District to obtain a refund of $197,163 and relief from the deferred future payment of $697,407. 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 the study is being amortized over five years.

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. On September 1, 2010, the District entered into an agreement with Peterson, Brustad, Inc. to inspect the Pilot Creek Diversion Dam. The United States Forest Service requires an inspection of the diversion dam every five years. The inspection was completed in December 2010 and the cost is being amortized over five years. On April 12, 2011, the District entered into an agreement with Peterson, Brustad, Inc. to complete an Urban Water Management Plan. The plan was accepted by the District in July of 2011. The plan is being amortized over five years. Special studies completed or in process as of June 30, 2011, consisted of the following:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Alternative Water Source (PCWA)	$288,070	$ -	$288,070	$ -
Facility Capacity Charge Study	44,154	1		44,155
Water Model (CA Water Consulting)	14,958			14,958
Options to Increase Water Supply	17,350			17,350
Pilot Creek Diversion Dam Inspection		5,100		5,100
Urban Water Management Plan		35,948		35,948
Total amortizable assets	364,532	41,049	288,070	117,511
Less-accumulated amortization	(41,963)	(18,116)		(60,079)
Unamortized Balance	$ 322,569	$ 22,933	$ 288,070	$ 57,432

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 $136,501 at June 30, 2011. It is anticipated that $81,095 of these benefits will be used after June 30, 2012.

Note 6: Long-Term Debt (Continued)

B. **Notes Payable**

	Balance June 30, 2011
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 and Buffalo Hill Siphon contracts were paid off during the fiscal year.	
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%.	$387,286
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%.	115,882
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%.	135,000
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%.	337,000
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%.	384,509
Total Department of Water Resources Notes Payable	$1,359,677
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.	31,768
Total Notes Payable	$1,391,445

Note 6: Long-Term Debt (Continued)

B. **Notes Payable (Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	$ 89,845	$ 41,663	$ 131,508
2013	92,754	38,754	131,508
2014	95,566	35,942	131,508
2015	98,535	32,973	131,508
2016	101,558	29,950	131,508
2017-2021	459,326	104,611	563,937
2022-2026	313,913	40,525	354,438
2027-2030	139,947	6,476	146,423
	$ 1,391,444	$ 330,894	$ 1,722,338

C. **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, 2011 was $103,875.

Fiscal Year Ending June 30,	Principal	Interest	Total
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	17,034	966	18,000
2017-2018	23,506	494	24,000
	$ 103,875	$ 10,125	$ 114,000

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

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Notes payable	$1,649,140	$ -	$ (257,695)	$ 1,391,445	$ 89,845
Capital lease	118,577		(14,702)	103,875	15,141
Postemployment benefits	41,289	124,802	(99,187)	66,904	
Compensated absences	113,877	22,624		136,501	55,406
Long-term liabilities	$ 1,922,883	$ 147,426	$ (371,584)	$ 1,698,725	$ 160,392

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, 2011 and June 30, 2010, was $217,800 and $221,900, respectively.

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, 2011 and June 30, 2010 was $176,000 and $205,000, 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 Disposal Zone 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.
>
> 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

Notes to Basic Financial Statements
June 30, 2011

Note 10: Net Assets (Continued)

Restricted and unrestricted nets assets are identified by use as follows as of June 30, 2011:

	Water	Wastewater Disposal	Total
Restricted Net Assets:			
New Facilities:			
Water Development	$ 384,703	$ -	$ 384,703
Stumpy Meadows Emergency Reserve	2,144,946		2,144,946
Facility Capacity Charges	1,555,022		1,555,022
Short-lived Asset Replacement	1,226,590		1,226,590
C.D.S. Replacement		43,283	43,283
C.D.S. Expansion		118,478	118,478
Total New Facilities Net Assets	5,311,261	161,761	5,473,022
Debt Service:			
Kelsey North	$ 113,930	$ -	$ 113,930
Kelsey South	187,995		187,995
State Revolving Fund	9,575		9,575
Pilot Hill North	76,401		76,401
Pilot Hill South	117,193		117,193
Total Debt Service Net Assets	505,094		505,094
Total Restricted Net Assets	$ 5,816,355	$ 161,761	$ 5,978,116
Unrestricted Net Assets:			
Unrestricted Designated Net Assets:			
Retiree	$ 441,550	$ -	$ 441,550
Georgetown/Buckeye	5,904		5,904
Garden Valley	106,177		106,177
Hydroelectric	308,439		308,439
Total Unrestricted Designated Net Assets	862,070		862,070
Unrestricted Undesignated Net Assets	1,219,654	226,731	1,446,385
Total Unrestricted Net Assets	$ 2,081,724	$ 226,731	$ 2,308,455

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 $50,000 (property) and $1,000,000 (general, automobile and public officials liability) 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. Total premiums paid for fiscal year 2011 were $117,835.

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 hired after July 11, 2006.

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, 2011 were 31.352% and 11.198% 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, 2011, 2010, and 2009, were $313,968, $319,983, and $332,524, respectively, and equal 100% of the required contributions for each fiscal year.

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, 2011. 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 2010-11, the District paid $99,187 for retiree benefits and received retiree contributions of $29,101, for a net cost of $70,086. Currently, there are 14 retirees who are receiving benefits. The District administers the plan described above and has accumulated $497,656 for these benefits as of June 30, 2011. However, as the plan is not administered with an irrevocable trust, this amount cannot be considered for prefunding.

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 fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	$ 124,802
Annual OPEB cost (expense)	124,802
Contributions made	(99,187)
Increase in net OPEB obligation	25,615
Net OPEB obligation - beginning of fiscal year	41,289
Net OPEB obligation - end of fiscal year	$ 66,904

The District 's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation (Asset)
6/30/2010	$ 110,000	62%	$ 41,289
6/30/2011	124,802	80%	66,904

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent Alternate Measurement Method valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,290,449, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,290,449. The covered payroll (annual payroll of active employees covered by the plan) was $1,383,003, and the ratio of the UAAL to the covered payroll was 93 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.

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, 2011 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. 2011. 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, 2011 was thirteen years.

Note 15: 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 16: 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 17: Subsequent Event

On November 16, 2011, the El Dorado County Superior Court ruled in favor of the District in a suit brought against the District challenging the District's right and obligation to maintain infrastructure serving the public. The decision upholds the District's right and obligation to maintain public infrastructure. The District is currently trying to recover costs incurred to defend these rights which may result in the recovery of over $100,000.

REQUIRED SUPPLEMENTARY INFORMATION

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Required Supplementary Information
June 30, 2011

Other Postemployment Benefits

Schedule of Funding Progress

Valuation Date	Accrued Liability (a)	Value of Assets (b)	(Excess Assets) (a)-(b)	Funded Status (b)/(a)	Covered Payroll (c)	% of Payroll [(a)-(b)]/(c)
6/30/2010	$ 1,428,000	$ -	$ 1,428,000	0.0%	$ 1,448,117	98.6%
6/30/2011	$ 1,290,449	$ -	$ 1,290,449	0.0%	$ 1,383,003	93.3%

SUPPLEMENTARY INFORMATION

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Schedule of Operating Expenses
For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	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	2011	2010
Salaries and part-time labor	$ 113,314	$ 323,537	$ 228,674	$ 222,998	$ 206,318	$ 304,341	$ 120,348	$ 1,519,530	$ 1,502,912
CalPERS benefits	24,858	62,016	54,864	46,687	39,688	63,468	24,467	316,048	319,983
Payroll taxes	9,063	23,529	19,909	17,869	14,830	24,739	9,406	119,345	121,591
Insurance - health and life plans	21,125	65,082	54,194	46,800	43,388	47,191	26,324	304,104	283,006
Insurance - workers' compensation	6,772	20,016	8,110	10,633	1,427	3,241	4,286	54,485	46,135
Insurance - District plan	-	-	-	-	-	17,556	-	17,556	14,329
Accounting and audit fees	-	-	-	-	-	8,955	-	8,955	8,330
Building maintenance and repairs	-	-	-	-	-	5,519	-	5,519	8,471
Director stipends	-	-	-	-	-	23,600	-	23,600	24,000
Engineering fees	20,592	4,574	-	123	-	-	-	25,289	47,965
Insurance - general	2,177	13,490	14,142	12,142	4,936	10,352	4,778	62,017	70,765
Legal - general	77	107,998	-	-	3,368	51,689	2,552	165,684	66,400
Supplies, rentals and durable goods	6,184	26,934	67,534	38,548	747	1,822	5,516	147,285	142,617
Office supplies	6	410	310	130	13,306	10,740	2,032	26,934	26,785
Outside services	5,059	21,551	2,601	13,427	441	42,773	5,063	90,915	60,622
Retiree benefits	-	-	-	-	-	124,802	-	124,802	134,758
Development and travel	212	40	787	309	-	5,188	279	6,815	16,504
Utilities	74	28	146,233	5,149	2,232	18,089	9,335	181,140	172,333
Equipment and vehicle maintenance	5,509	7,983	7,073	9,283	1,759	7,142	3,452	42,201	38,543
Vehicle operations	7,911	23,733	4,885	13,388	-	4,947	6,085	60,949	49,249
Regulatory requirements and fees	32,503	50	29,912	1,007	4,013	6,799	35,392	109,676	93,475
Other - County election admin.	-	-	-	-	-	6,303	-	6,303	-
Other - County property tax admin.	-	-	-	-	-	37,004	-	37,004	34,080
Other - Memberships	-	-	-	152	893	11,084	330	12,459	12,544
Depreciation	111,292	71,509	179,877	229,496	25,533	25,533	32,230	675,470	616,875
Amortization	-	-	-	-	-	18,116	-	18,116	17,605
Other	1	-	(1)	-	1,185	139	-	1,324	6,754
Total	$ 366,729	$ 772,480	$ 819,104	$ 668,141	$ 364,064	$ 881,132	$ 291,875	$ 4,163,525	$ 3,936,631

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Restricted Plant Benefit Charges
and Disclosures
For the Fiscal Year Ended June 30, 2011

	Water Development	Capital Facility Charges	Short-lived Asset Replacement	Community Disp. System Rep. Benefit	Comm. Disp. System Expan. Benefit	Total
Balance at June 30, 2010	$ 373,284	$ 1,527,695	$ 1,475,486	$ 43,626	$ 105,139	$ 3,525,230
Activity for fiscal year ended June 30, 2011:						
Sources:						
Zone Repair Reimbursments				529		529
Transfer per District Reserve Policy					13,000	13,000
Interest earned	5,019	10,427	17,706	71	339	33,562
Restricted benefit charges	6,400	16,900				23,300
Total sources	11,419	27,327	17,706	600	13,339	70,391
Uses:						
Transfer for short-lived assets paid for by Water general fund in fiscal year 2009-10			(266,602)			(266,602)
Zone Repairs Materials				(897)		(897)
ZDS Loan Processinf Fees				(46)		(46)
Total Uses			(266,602)	(943)		(267,545)
Balance at June 30, 2011	$ 384,703	$ 1,555,022	$ 1,226,590	$ 43,283	$ 118,478	$ 3,328,076

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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 of
the 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, 2011 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2011. 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 November 22, 2011.

OFFICES: **BEVERLY HILLS · CULVER CITY · SANTA MARIA**

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
Culver City, California
November 22, 2011

GEORGETOWN PUBLIC UTILITY DISTRICT

MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

June 30, 2011

GEORGETOWN PUBLIC UTILITY DISTRICT
June 30, 2011

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MOSS, LEVY & HARTZHEIM LLP
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November 22, 2011

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

In planning and performing our audit of the financial statements of the business-type activities, each major fund, and the fiduciary fund of the Georgetown Public Utility District (District), as of and for the fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies presented in the current year recommendations section as Findings 2011-01 and 2011-03 to be significant deficiencies in internal control.

During our audit we noted a certain other matter involving internal controls and their operations, and are submitting for your consideration, the related recommendation designed to help the District make improvements and achieve operational efficiencies. This recommendation is described in the current year recommendations section as Finding 2011-4. Our comment reflects our desire to be of continuing assistance to the District.

The District's written responses to the findings identified in our audit are described in the current year recommendations section. We did not audit the District's responses and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communications with the members of the Board of Directors as required by professional auditing standards. We would like to thank the District's management and staff for the courtesy and cooperation extended to us during the course of our engagement. The accompanying communications and recommendations are intended solely for the information and use of management, the members of the Board of Directors, and others within the District, and are not intended to be, and should not be, used by anyone other these specified parties.

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA

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November 22, 2011

To the Board of Directors of
the Georgetown 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 Public Utility District for the fiscal year ended June 30, 2011. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 8, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Georgetown Public Utility District are described in Note 1 to the basic financial statements. As discussed in Note 1 of the notes to the basic financial statements, one new accounting policy was adopted during the fiscal year. The new policy is GASB Statement No. 59. We noted no transactions entered into by the District during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2011.

Management 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 Georgetown Public Utility District'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 accountant 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.

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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
Culver City, CA

CURRENT YEAR RECOMMENDATIONS

Significant Deficiencies

2011-01 Finding – Lack of certain accounting policies and formal guidelines:

During the review of internal controls, it was noted that there are no formal accounting policies with regards to purchasing and reporting suspected fraud. 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 purchasing procedure, it will be impossible for accounting principles to be applied uniformly by all employees for all financial transactions. Without formal fraud reporting policy, employees are less likely to report suspected fraud. 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.

District's Response:

This is not a material weakness and staff understands that the Board of Directors wants to minimize costs of the District and the impact of these costs to customers. Consequently, management has determined that committing the long standing informal practices to writing as purchasing, audit committee and reporting suspected fraud policies provides little cost benefit or additional benefits to customers. In addition, the administrative staff continues to hold a half-time position vacant in an effort to keep costs low. This position needs to be filled to provide the resources for additional administrative duties like the preparation, dissemination and up-dating of policies.

2011-02 Finding – Adjusting journal entries not signed-off by reviewer:

During the review of internal control, it was noted that adjusting journal entries do not have approval signatures.

Effect:

Proper internal controls call for review and approval of 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 adjusting journal entries be reviewed and signed off by a responsible individual before being posted.

District's Response:

This is not a material weakness and it is common for entities with few staff to rely on personnel with the skills to do journal entries to do them without review. The District does review certain journal entries and is operating with the minimum of accounting resources to reduce the impact to customers and water rates. There is little cost benefit to utilizing additional resources for a review of all journal entries.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Significant Deficiencies (Continued)

2011-03 Finding – Lack of formal review of adjustments to customer accounts:

During the review of internal control, we noted a lack of formal review of adjustments to customer accounts.

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.

District's Response:

This is not a material weakness. Currently, the Administrative Aides are given authority to adjust customer accounts for leakage considerations and late fees pursuant to Board Policy. 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. The previous reviews conducted by the Business/Finance Manager revealed no irregularities. The Business/Finance Manager plans to take the additional time required to perform a monthly review of these adjustments in the future.

Other Matter

2011-04 Finding – Deficiencies in internal control over cash disbursement:

During our test of cash disbursements, we noted two purchase orders that did not have dollar amounts (check # 21380 and 21263), one purchase order was dated after the receiving date of the merchandise (check # 21263), and one receiving report was not signed as received (check # 21263).

Effect:

Lack of control over purchase orders increases the risk of a misappropriation of funds to occur and go undetected.

Recommendation:

We recommend that all purchases have an approved purchase order and, if applicable, a receiving report that is properly completed and retained for future verification. In addition, we recommend that the District ensure that all approved invoices are signed off by the accounts payable clerk to demonstrate that they reconcile to the purchase orders and receiving reports.

District's Response:

This is not a material weakness or a significant deficiency. The district utilized approximately 600 purchase orders during the fiscal year. Purchase orders related to two checks for valid District purchases were incomplete. Staff will be reminded to be sure to include an amount, receiving date and signature on all purchase orders.

STATUS OF PRIOR YEAR RECOMMENDATIONS

2010-01 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.

Status:

Not implemented. See Finding #2011-01.

2010-02 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.

Status:

Implemented.

2010-03 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.

Status:
Not implemented. See Finding #2011-02.

2010-04 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.

Status:
Implemented.

2010-05 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.

Status:
Not implemented. See Finding #2011-03.

2010-06 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.

Status:
Implemented.

2010-07 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.

Status:

Implemented.

2010-08 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.

Status:

Not implemented. See Finding #2011-04.