GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

TABLE OF CONTENTS

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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, 2012, 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, 2012, 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. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions,* effective July 1, 2011.

In accordance with *Government Auditing Standards,* we have also issued a report dated October 17, 2012, 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.

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 42 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
October 17, 2012

Management's Discussion and Analysis
June 30, 2012

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, 2012. 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. Total revenue for the fiscal year ending June 30, 2012 was $3,893,214, a decrease of $226,941 or 5.51% from the previous fiscal year. Total expenses were $3,907,317, a decrease of $314,643 or 7.45% from the previous fiscal year. The decrease in net assets was $14,103 for the fiscal year. By closely monitoring the budget and cutting expenses, the District was able to keep this fiscal year's decrease to net assets significantly lower than last year's decrease to net assets.

Operating revenue totaled $2,295,309 for the fiscal year ended June 30, 2012, an increase of $52,234 or 2.33% from the previous fiscal year. Operating expenses totaled $3,857,080, a decrease of $306,445 or 7.36% from the previous fiscal year.

Non-operating revenue was $1,597,905, a decrease of $279,175 or 14.87%. The primary cause of the non-operating revenue decrease was due to a one-time $200,000 El Dorado County Water Agency grant received in the previous fiscal year and not repeated in the fiscal year ended June 30, 2012. Non-operating expense was $50,237, a decrease of $8,198 or 14.03%. The remaining non-operating revenue supplements operating revenue to cover operating expenses.

Other significant financial activities were:

- Freezing salaries and not filling certain positions.
- Holding CalPERS benefit payments to nearly the same amount as last year, even with increasing CalPERS rates.
- Investing an additional $62,038 on raw water ditch improvements during the year.
- Investing an additional $25,280 in equipment and water treatment plant improvements to run the plants more efficiently.
- Investing $94,575 in efforts to update and modernize the mapping of the District's facilities.
- Investing $99,853 towards the retrofit of the Auburn Lake Trials Water Treatment Plant Retrofit Project.
- Retiring $115,882 of debt for the Pilot Hill North Assessment District whose assessments were scheduled to end during fiscal year 2012 eliminating future interest expense.

Overview of the Financial Statements

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

The required financial statements are the Statement of Net Assets at June 30, 2012; the Statement of Activities for the fiscal year ended June 30, 2012 at the government-wide level; the Statement of Net Assets – Proprietary Funds at June 30, 2012; the Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds for the fiscal year ended June 30, 2012; and the Statement of Cash Flows – Proprietary Funds for the fiscal year ended June 30, 2012 at the fund level. The final required financial statement is the Statement of Fiduciary Net Assets. The financial statements also include comprehensive notes which summarize the official accounting policies of the District.

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 $14,103 to $21,449,012 down from $21,463,115 in fiscal year 2011. Total assets declined by $317,521 and liabilities declined by $303,418 from the previous fiscal year. The decrease in capital assets, net of accumulated depreciation of $389,015 and the decrease in net assets invested in capital assets, net of related debt of $185,203 demonstrate that the District has curtailed proactive investment in 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 2012	Fiscal Year 2011	Dollar Change	Percent Change
Current Assets	$2,645,897	$1,904,848	$741,049	38.90%
Non-current Assets		65,721	(65,721)	-
Restricted Assets	6,177,266	6,761,943	(584,677)	(8.65)%
Capital Assets, Net of Accumulated Depreciation	14,282,849	14,671,864	(389,015)	(2.65)%
Other Assets	38,275	57,432	(19,157)	(33.36)%
Total Assets	23,144,287	23,461,808	(317,521)	(1.35)%
Current Liabilities	125,107	286,518	(161,411)	(56.34)%
Current Restricted Liabilities	11,305	13,450	(2,145)	(15.95)%
Long-term Liabilities	1,558,863	1,698,725	(139,862)	(8.23)%
Total Liabilities	1,695,275	1,998,693	(303,418)	(15.18)%
Invested in Capital Assets, Net of Related Debt	12,991,341	13,176,544	(185,203)	(1.41)%
Restricted Net Assets for Facilities	5,054,077	5,473,022	(418,945)	(7.65)%
Restricted Net Assets for Debt Service	435,223	505,094	(69,871)	(13.83)%
Unrestricted Net Assets	2,968,371	2,308,455	659,916	28.59%
Total Net Assets	$21,449,012	$21,463,115	($14,103)	(0.07)%

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 $14,103. Ending net assets totaled $21,449,012. Total revenues decreased by $226,941 in 2012 totaling $3,893,214. Operating revenue increases were less than the non-operating revenue decreases. Operating revenue increased by $52,234 primarily due to rate increases implemented during the fiscal year. Non-operating revenues decreased by $279,175 primarily due to the one-time Water Agency grant of $200,000 obtained in fiscal year 2011 that was not repeated in fiscal year 2012. 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 reduced its net loss position by nearly $200,000 during the fiscal year. 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 2012	Fiscal Year 2011	Dollar Change	Percent Change
Operating Revenues	$2,295,309	$2,243,075	$52,234	2.33%
Non-operating Revenues and Contributions	1,597,905	1,877,080	(279,175)	(14.87)%
Total Revenues	3,893,214	4,120,155	(226,941)	(5.51)%
Operating Expenses	3,857,080	4,163,525	(306,445)	(7.36)%
Non-operating Expenses	50,237	58,435	(8,198)	(14.03)%
Total Expenses	3,907,317	4,221,960	(314,643)	(7.45)%
Net Income (Loss)	(14,103)	(101,805)	87,702	(86.15)%
Write-off of Fazio Water Study Costs		(90,906)	90,906	-
Beginning Net Assets	21,463,115	21,655,826	(192,711)	(0.89)%
Ending Net Assets	$21,449,012	$21,463,115	($14,103)	(0.07)%

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 good 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% as well and fell short of this mark. It appears that commercial customers have found ways to conserve on their usage. Irrigation water sales were expected to increase by 5% as the last rate increase was May 1, 2011. This means there was no increase for May and June of 2012. The remaining operating revenues were close to expectations. Operating revenues are depicted in Table A-3.

Table A-3
Condensed Operating Revenues

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Percent Change
Water Sales - Residential	$1,425,486	$1,368,582	$56,904	4.16%
Water Sales - Commercial	241,509	236,042	5,467	2.32%
Water Sales - Irrigation	226,835	215,622	$11,213	5.20%
Water Disposal Fees and Charges	365,132	353,837	11,295	3.19%
Penalties	33,103	63,399	(30,296)	(47.79)%
Connections	3,185	4,305	(1,120)	(26.02)%
Other Operating Revenues	59	1,288	(1,229)	(95.42)%
Totals	$2,295,309	$2,243,075	$52,234	2.33%

Operating Expenses by Department

Operating expenses decreased 7.36% or $306,445 to $3,857,080. The largest decrease was in Administrative and Hydroelectric activities largely due to vacant positions and a reduction in legal costs from fiscal year 2011 when the District was vigorously fighting a claim. The hydroelectric activities are combined with the administrative activities as they are not material enough to present separately. Raw Water Transmission and Distribution activities decreased as well due to vacant positions and other cost containment measures rather than the proactive approach taken in fiscal year 2011. The Water Treatment Plant activities continue to have savings while operating with the minimum amount of staffing. The Treated Water Distribution activities increased over last year due to increased leak repairs. Operating expenses are depicted in Table A-4.

Table A-4
Operating Expenses by Department

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Percent Change
Source of Supply	$244,472	$255,437	($10,965)	(4.29)%
Transmission and Distribution – Raw Water	539,952	700,971	(161,019)	(22.97)%
Water Treatment	568,407	639,227	(70,820)	(11.08)%
Transmission and Distribution – Treated Water	483,994	438,645	45,349	10.34%
Customer Service	342,215	338,531	3,684	1.09%
Administrative and Hydroelectric	660,693	837,483	(176,790)	(21.11)%
Depreciation and Amortization	741,478	693,586	47,892	6.90%
On-site Wastewater Disposal Zone	275,869	259,645	16,224	6.25%
Totals	$3,857,080	$4,163,525	($306,445)	(7.36)%

Operating Revenues vs. Operating Expenses

The District's operating loss declined by $358,679 to a loss of $1,561,771from a loss of $1,920,450, the result of increasing operating revenue by $52,234 and decreasing operating expenses by $306,445. 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 2012	Fiscal Year 2011	Dollar Change	Percent Change
Operating Revenues	$2,295,309	$2,243,075	$52,234	2.33%
Operating Expenses	3,857,080	4,163,525	(306,445)	(7.36)%
Operating Loss	($1,561,771)	($1,920,450)	$358,679	(18.68)%

Non-operating Revenues and Expenses

The District's non-operating income is vital to covering operations. 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 $1,333,251 to $1,308,494. Interest income declined from $109,385 to $72,163. The other non-operating revenue is as expected. The District did not expect the El Dorado County Water Agency to provide $200,000 in cost sharing in fiscal year 2012 as they did in 2011. Table A-6 compares non-operating revenues and expenses.

Table A-6
Non-Operating Revenues and Expenses

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Percent Change
Property Taxes – General	$1,308,494	$1,333,251	($24,757)	(1.86)%
Interest Income	72,163	109,385	(37,222)	(34.03)%
Water Agency Cost Reimbursement	60,813	251,772	(190,959)	(75.85)%
Restricted Benefit Charges	9,200	23,300	(14,100)	(60.52)%
Lease Revenue	46,571	42,905	3,666	8.54%
Hydroelectric Royalty Payments	56,237	40,976	15,261	37.24%
Other	44,427	75,491	(31,064)	(41.15)%
Total Non-Operating Revenues (Including Property Owner Contributions)	1,597,905	1,877,080	(279,175)	(14.87)%
Total Non-operating Expenses	50,237	58,435	(8,198)	(14.03)%
Non-operating Income less Non-operating Expense	$1,547,668	$1,818,645	($270,977)	(14.90)%

Capital Assets

The District's investment in capital assets for the fiscal year was $328,589 while depreciation expense was $717,604. The investment in capital improvements are as follows:

- $99,853 for moving the Auburn Lake Trails Water Treatment Plant Retrofit project forward,
- $94,575 to update and upgrade the District's facility maps,
- $35,104 for a main line relocation required by the El Dorado County Department of Transportation,
- $62,038 for ditch reliability improvements,
- $11,091 for the permit licensing process to better secure the District's water rights,
- $14,189 for various water treatment plant upgrades,
- $6,854 for a Garden Park altitude valve and outlet pipe,
- $1,021 for a new printer, and
- $3,864 for wastewater pump rebuilds and collection system repairs

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, 2012, the District had $1,558,863 in long-term debt, including compensated absences and other postemployment benefits obligations, $139,862 less than the prior fiscal year. The decrease was due to the scheduled debt payments and a prepayment of $115,882 for the Pilot Hill North Water Assessment District. 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.

CalPERS Pension Plan

Assembly Bill 340 was recently passed by the California Legislature in an effort to reduce CalPERS pension costs in the long run. The District has participated in a CalPERS Pension Plan since February of 1972. There have been amendments to the contract with CalPERS over the years. The contract amendment in 2006 from a 2% at 55 formula to a 2.7% at 55 formula was a priority negotiation point for Stationary Engineers, Local 39. The negotiations allowed the District to provide the represented staff with a benefit that they wanted as well as reduce costs in similar ways to the recently approved legislation.

Before the contract amendment, the District was paying 33.126% of base pay towards each eligible employee's retirement. This amount was comprised of the CalPERS employer rate of 19.126%, the 7% CalPERS member contribution which the District paid on behalf of the employee, and a 7% contribution to a deferred compensation plan which the District paid on behalf of the employee.

	Retirement Costs before Union Contract CalPERS 2% at 55	**Retirement Costs after Union Contract CalPERS2.7% at 55**
CalPERS Employer %	19.126%	Tier 1: 26.932% Tier 2: 9.932%
Member Contribution % Paid by District	7.000%	0.000%
Contribution % Paid to Deferred Compensation Plan	7.000%	0.000%
TOTAL	**33.126%**	**26.932%**

The 2006 CalPERS contract amendment separated the District into two groups, existing employees and new employees after the amendment. CalPERS required this since the District has less than 100 employees and was eliminating benefit enhancements from the previous contract for all new employees. In addition, the District would no longer be paying the CalPERS member contribution which went up to 8% for the amended contract or be paying the 7% to a deferred compensation plan on the employee's behalf. The following chart shows the composite CalPERS rate for the last payroll in each fiscal year since the contract amendment. These rates need to be compared to the precontract amendment retirement cost of 33.126% and show that the District took steps in 2006 to reduce this cost.

Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
26.015%	23.667%	23.447%	21.646%	22.432%	25.257%

In addition, the 8% member contribution that is currently paid by the District employees approximates 50% of the normal cost of the plan amendment. This is one of the recently approved future CalPERS changes.

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* in fiscal year 2010. 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, 2012 is $1,703,923. The District has set aside $547,639 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 provides a guide for 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, 2012.

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. The adopted rate increases of 5% for fiscal years 2011 and 2012 were nearly achieved. Irrigation water revenue fell short of the expected 8% increase for the 2010 irrigation season due to the delay of the start of the season. The 2011 and 2012 seasons achieved the 8% increase. Wastewater services revenue continues to exceed budgeted amounts due to an increase in escrow inspection fees.

On April 11, 2012, the Board of Directors established a regulatory compliance surcharge for treated water customers. The surcharge will be used to pay for the debt service requirements of a United States Department of Agriculture loan for the retrofit of the Auburn Lake Trials Water Treatment Plant. This plant serves more than the Auburn Lake Tails community and the improvements are required to comply with an order from the Department of Public Health. After analyzing design options for the plant, the District elected to pursue the best available technology of contact clarification and filtration with the assistance of the United States Department of Agriculture loan, grants and District reserves.The treated water customers will see up to a $7 a month surcharge on their bills as the District draws on the loan and then subsequently retires the debt.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Georgetown Divide Public Utility District. After the financial report is approved by the Board of Directors, it can be found under the financial section on the District's website (gd-pud.org). Copies of the report are also provided to the El Dorado County libraries in Placerville and Georgetown. A copy will be available for review at the District office, located at 6425 Main St, Georgetown, CA 95634. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of the District, Georgetown Divide Public Utility District, PO Box 4240, Georgetown, CA 95634-4240.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Statement of Net Assets
June 30, 2012
(With Comparative Totals as of June 30, 2011)

	Business-type Activities 2012	2011
Assets		
Current Assets:		
Cash and investments	$ 1,992,197	$ 1,201,012
Receivables:		
Accounts	484,567	531,477
Interest	867	731
Current portion of long-term receivable	65,721	65,721
Inventory	4,091	4,476
Deposits and prepaid expenses	98,454	101,431
Total Current Assets	2,645,897	1,904,848
Non-current Assets:		
Non-current portion of long-term receivable		65,721
Total Non-current Assets		65,721
Restricted Assets:		
Cash and investments	5,525,233	6,007,106
Receivables:		
Accounts	4,096	1,200
Interest	9,367	12,827
Current assessments	61,564	85,415
Non-current assessments receivable	577,006	655,395
Total Restricted Assets	6,177,266	6,761,943
Capital assets - net of accumulated depreciation	14,282,849	14,671,864
Other Assets:		
Special studies, net of accumulated amortization	38,275	57,432
Total Other Assets	38,275	57,432
Total Assets	$ 23,144,287	$ 23,461,808

(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, 2012
(With Comparative Totals as of June 30, 2011)

	Business-type Activities	
	2012	2011
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	$ 77,713	$ 238,384
Accrued expenses	34,255	29,979
Deposits payable	552	3,894
Unearned revenue	12,587	14,261
Total Current Liabilities	125,107	286,518
Current Liabilities Payable from Restricted Assets:		
Accrued interest payable	8,690	10,592
Accounts payable	1,443	1,687
Unearned revenue	1,172	1,171
Total Current Liabilities Payable from Restricted Assets	11,305	13,450
Noncurrent Liabilities:		
Due in one year	131,306	160,392
Due in more than one year	1,427,557	1,538,333
Total Noncurrent Liabilities	1,558,863	1,698,725
Total Liabilities	1,695,275	1,998,693
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,991,341	13,176,544
Restricted for new facilities	5,054,077	5,473,022
Restricted for debt service	435,223	505,094
Unrestricted	2,968,371	2,308,455
Total Net Assets	$ 21,449,012	$ 21,463,115

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, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Net (Expense) Revenue and Changes in Net Assets: 2012	Net (Expense) Revenue and Changes in Net Assets: 2011
Business-type activities:					
Water	$ 3,598,984	$ 1,930,177	$ 2,797	$ (1,666,010)	$ (2,041,221)
Wastewater Disposal	308,333	365,132		56,799	62,336
Total business-type activities	$ 3,907,317	$ 2,295,309	$ 2,797	(1,609,211)	(1,978,885)
General Revenues					
Taxes:					
Property taxes				1,308,494	1,333,251
Investment income				72,163	109,385
Other				214,451	434,444
Total general revenues				1,595,108	1,877,080
Change in net assets				(14,103)	(101,805)
Write-off of Fazio Water Study Costs					(90,906)
Net assets at beginning of fiscal year				21,463,115	21,655,826
Net assets at end of fiscal year				$ 21,449,012	$ 21,463,115

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, 2012
(With Comparative Totals as of June 30, 2011)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2012	2011
Assets				
Current Assets:				
Cash and investments	$ 1,691,017	$ 301,180	$ 1,992,197	$ 1,201,012
Receivables:				
Accounts	477,491	7,076	484,567	531,477
Interest	718	149	867	731
Current portion of long-term receivable	65,721		65,721	65,721
Inventory	4,091		4,091	4,476
Deposits and prepaid expenses	96,424	2,030	98,454	101,431
Total Current Assets	2,335,462	310,435	2,645,897	1,904,848
Non-current Assets:				
Non-current portion of long-term receivable				65,721
Total Non-current Assets				65,721
Restricted Assets:				
Cash and investments	5,353,566	171,667	5,525,233	6,007,106
Receivables:				
Accounts		4,096	4,096	1,200
Interest	9,280	87	9,367	12,827
Current assessments	61,564		61,564	85,415
Non-current assessments receivable	577,006		577,006	655,395
Total Restricted Assets	6,001,416	175,850	6,177,266	6,761,943
Capital Assets - net of accumulated depreciation	13,935,899	346,950	14,282,849	14,671,864
Other Assets:				
Special studies, net of accumulated amortization	38,275		38,275	57,432
Total Other Assets	38,275		38,275	57,432
Total Assets	$ 22,311,052	$ 833,235	$ 23,144,287	$ 23,461,808

(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, 2012
(With Comparative Totals as of June 30, 2011)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2012	2011
Liabilities				
Current Liabilities:				
Accounts payable	$ 74,951	$ 2,762	$ 77,713	$ 238,384
Accrued expenses	32,098	2,157	34,255	29,979
Deposits payable	552		552	3,894
Deferred revenue	10,573	2,014	12,587	14,261
Total Current Liabilities	118,174	6,933	125,107	286,518
Current Liabilities Payable from Restricted Assets:				
Accrued interest payable	8,690		8,690	10,592
Accounts payable	1,443		1,443	1,687
Deferred revenue	1,172		1,172	1,171
Total Current Liabilities Payable from Restricted Assets	11,305		11,305	13,450
Noncurrent Liabilities:				
Due in one year	126,522	4,784	131,306	160,392
Due in more than one year	1,425,010	2,547	1,427,557	1,538,333
Total Long-Term Liabilities	1,551,532	7,331	1,558,863	1,698,725
Total Liabilities	1,681,011	14,264	1,695,275	1,998,693
Net Assets				
Invested in capital assets, net of related debt	12,644,391	346,950	12,991,341	13,176,544
Restricted for new facilities	4,878,255	175,822	5,054,077	5,473,022
Restricted for debt service	435,223		435,223	505,094
Unrestricted	2,672,172	296,199	2,968,371	2,308,455
Total Net Assets	$ 20,630,041	$ 818,971	$ 21,449,012	$ 21,463,115

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, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2012	2011
Operating Revenues:				
Water sales:				
Residential	$ 1,425,486	$ -	$ 1,425,486	$ 1,368,582
Commercial	241,509		241,509	236,042
Irrigation	226,835		226,835	215,622
Installations and connections	3,185		3,185	4,305
Waste disposal:				
Zone charges		334,391	334,391	331,770
Design fees		508	508	1,200
Escrow fees		30,233	30,233	20,867
Penalties	33,103		33,103	63,399
Other	59		59	1,288
Total Operating Revenues	1,930,177	365,132	2,295,309	2,243,075
Operating Expenses:				
Source of supply	244,472		244,472	255,437
Transmission and distribution - raw water	539,952		539,952	700,971
Water treatment	568,407		568,407	639,227
Transmission and distribution - treated water	483,994		483,994	438,645
Customer service	342,215		342,215	338,531
Administrative and hydroelectric	660,693		660,693	837,483
Depreciation and amortization	709,014	32,464	741,478	693,586
On-Site Wastewater Disposal Zone		275,869	275,869	259,645
Total Operating Expenses	3,548,747	308,333	3,857,080	4,163,525
Operating Income (Loss)	(1,618,570)	56,799	(1,561,771)	(1,920,450)
Non-operating Revenues:				
Tax revenue - general	1,308,494		1,308,494	1,333,251
Interest income	71,295	868	72,163	109,385
Water Agency cost sharing	60,813		60,813	251,772
Restricted benefits charges	9,200		9,200	23,300
Lease revenue	46,571		46,571	42,905
Hydroelectric royalty payments	56,237		56,237	40,976
Intergovernmental revenues	2,797		2,797	
Other	41,630		41,630	75,491
Total Non-operating Revenues	1,597,037	868	1,597,905	1,877,080
Non-operating Expenses:				
Interest	42,801		42,801	48,493
Loss on disposal of capital assets				1,846
Other	7,436		7,436	8,096
Total Non-operating Expenses	50,237		50,237	58,435
Non-operating Income (Loss)	1,546,800	868	1,547,668	1,818,645
Net Income (Loss) Before Special Items	(71,770)	57,667	(14,103)	(101,805)
Write-off of Alternative Water Source Costs				(90,906)
Total Special Items				(90,906)
Change in Net Assets	(71,770)	57,667	(14,103)	(192,711)
Net Assets, Beginning of Fiscal Year	20,701,811	761,304	21,463,115	21,655,826
Net Assets, End of Fiscal Year	$ 20,630,041	$ 818,971	$ 21,449,012	$ 21,463,115

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, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2012	2011
Cash Flows from Operating Activities:				
Receipts from customers	$ 2,044,119	$ 365,401	$ 2,409,520	$ 2,004,438
Payments to suppliers for goods and services	(1,110,125)	(70,784)	(1,180,909)	(839,673)
Payments to or on behalf of employees for services	(1,819,369)	(204,651)	(2,024,020)	(2,429,735)
Net Cash Provided (Used) By Operating Activities	(885,375)	89,966	(795,409)	(1,264,970)
Cash Flows from Noncapital Financing Activities:				
Property taxes	1,308,494		1,308,494	1,333,251
Assessment receivable payments	102,240		102,240	101,853
Restricted benefits charges received	9,200		9,200	23,300
Intergovernmental revenues	2,797		2,797	
Other revenues	205,251		205,251	411,144
Other expenses	(7,436)		(7,436)	(8,096)
Net Cash Provided By Noncapital Financing Activities	1,620,546		1,620,546	1,861,452
Cash Flows from Capital and Related Financing Activities:				
Proceeds from disposal of property, equipment, and special studies				197,164
Acquisition of property, equipment, and special studies	(326,704)	(6,602)	(333,306)	(1,076,027)
Principal payments on long-term debt	(203,812)		(203,812)	(272,397)
Interest payments on long-term debt	(44,703)		(44,703)	(50,666)
Net Cash Used by Capital and Related Financing Activities	(575,219)	(6,602)	(581,821)	(1,201,926)
Cash Flows from Investing Activities:				
Proceeds from maturities of investments	1,945,000		1,945,000	1,475,000
Purchases of investments	(1,204,027)		(1,204,027)	(794,000)
Loan activity	(6,628)	(2,863)	(9,491)	(1,200)
Interest received	74,614	873	75,487	110,689
Net Cash Provided (Used) by Investing Activities	808,959	(1,990)	806,969	790,489
Net Increase (Decrease) in Cash and Cash Equivalents	968,911	81,374	1,050,285	185,045
Cash and Cash Equivalents, Beginning of Fiscal Year	4,077,645	391,473	4,469,118	4,284,073
Cash and Cash Equivalents, End of Fiscal Year	$ 5,046,556	$ 472,847	$ 5,519,403	$ 4,469,118
Reconciliation to the Statement of Net Assets:				
Cash and investments	$ 1,691,017	$ 301,180	$ 1,992,197	$ 1,201,012
Restricted cash and investments	5,353,566	171,667	5,525,233	6,007,106
Total cash and investments	7,044,583	472,847	7,517,430	7,208,118
Less: investments that do not meet the definition of cash equivalents	(1,998,027)		(1,998,027)	(2,739,000)
Total Cash and Cash Equivalents	$ 5,046,556	$ 472,847	$ 5,519,403	$ 4,469,118

(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, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2012	2011
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (1,618,570)	$ 56,799	$ (1,561,771)	$ (1,920,450)
Noncash items included in operating income (loss):				
Depreciation	685,140	32,464	717,604	675,470
Amortization	23,874		23,874	18,116
Changes in assets and liabilities:				
Decrease (Increase) in operating assets:				
Accounts receivable	55,250	(1,745)	53,505	(112,167)
Long-term receivables	65,721		65,721	(131,442)
Inventory	385		385	7,784
Deposits and prepaid expenses	2,271	706	2,977	(9,240)
Increase (decrease) in operating liabilities:				
Accounts payable	(160,885)	(30)	(160,915)	147,796
Accrued expenses	4,499	(223)	4,276	5,952
Deposits payable	(3,342)		(3,342)	
Compensated absences	(17,752)	(19)	(17,771)	22,624
Postemployment benefits	81,721		81,721	25,615
Deferred revenue	(3,687)	2,014	(1,673)	4,972
Net Cash Provided (Used) By Operating Activities	$ (885,375)	$ 89,966	$ (795,409)	$ (1,264,970)

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, 2012
(With Comparative Totals for June 30, 2011)

	Agency Fund	
Assets	2012	2011
Cash and investments	$ 78,074	$ 75,339
Receivables:		
Interest	87	89
Current assessments	4,172	4,099
Non-current assessments receivable	188,343	196,996
Total Assets	$ 270,676	$ 276,523
Liabilities		
Current Liabilities:		
Accounts payable	$ 1,156	$ 1,125
Accrued interest payable	3,295	3,449
Deferred revenue	58,121	54,149
Total Current Liabilities	62,572	58,723
Noncurrent Liabilities:		
Due in one year	4,384	4,300
Due in more than one year	203,720	213,500
Total Noncurrent Liabilities	208,104	217,800
Total Liabilities	$ 270,676	$ 276,523

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.

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. The On-Site Wastewater Disposal Zone is comprised of all the lots in the Auburn Lake Trials Subdivision, including the lots connected to the Community Disposal System.

Additionally, the District reports a fiduciary agency fund to account for the debt service activities for the Stewart Mine, Greenwood, Cool-Cherry Acres, Spanish Dry Diggins and Water Line Extensions 77-5 Water Assessment Districts. The District's administration of this debt is a purely custodial function.

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.

Note 1: Significant Accounting Policies (Continued)

H. **Inventory**

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

I. **Restricted Assets**

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

J. **Capital Assets**

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

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 2011 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. 64 – *Derivative Instruments*

For the fiscal year ended June 30, 2012, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2012.

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	$ 1,992,197
Restricted cash and investments	5,525,233
Cash and investments, Statement of Net Assets	7,517,430
Cash and investments, Statement of Fiduciary Net Assets	78,074
Total cash and investments	$ 7,595,504

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	$ 425
Deposits with financial institutions	25,939
Investments	7,569,140
Total cash and investments	$ 7,595,504

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	More Than 60 Months
State Investment Pool (LAIF)	$ 4,936,062	$ 4,936,062	$ -	$ -	$ -	$ -	$ -
Certificates of Deposit	2,197,125	1,197,125	400,000	400,000	200,000		
Money Market Funds	421,708	421,708					
Held by debt trustees:							
Money Market Funds	14,245	14,245					
	$ 7,569,140	$ 6,569,140	$ 400,000	$ 400,000	$ 200,000	$ -	$ -

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)	$ 4,936,062	N/A	$ -	$ -	$ -	$ -	$ 4,936,062
Certificates of Deposit	2,197,125	N/A			400,000	200,000	1,597,125
Money Market Funds	421,708	N/A					421,708
Held by debt trustees:							
Money Market Funds	14,245	N/A		14,245			
Total	$ 7,569,140		$ -	$ 14,245	$ 400,000	$ 200,000	$ 6,954,895

Note 2: Cash and Investments (Continued)

C. 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.

D. 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.

As of June 30, 2012, $794,772 of the District's deposits and investments with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

E. 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.

Note 2: Cash and Investments (Continued)

Restricted cash and investments are identified by use as follows at June 30, 2012:

	Water	Waste Disposal	Total
Debt Service:			
Kelsey South	$ 196,615	$ -	$ 196,615
Pilot Hill South	127,695		127,695
Kelsey North	117,821		117,821
State Revolving Fund	14,715		14,715
Total Debt Service Cash and Investments	456,846		456,846
New Facilities:			
Stumpy Meadows Emergency Reserve	2,187,502		2,187,502
Capital Facility Charges	1,569,702		1,569,702
Short-lived Asset Replacement Reserve	751,960		751,960
Water Development	387,556		387,556
Community Disposal System Replacement and Expansion		171,667	171,667
Total New Facilities Cash and Investments	4,896,720	171,667	5,068,387
Total Restricted Cash and Investments	$ 5,353,566	$ 171,667	$ 5,525,233

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, 2012 were as follows:

	Current	Non-current	Total
Water Restricted Assessments Receivable	$ 61,564	$ 577,006	$ 638,570
Fiduciary Assessments Receivable	4,172	188,343	192,515
Total Assessments Receivable	$ 65,736	$ 765,349	$ 831,085

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, 2012, the balance was $65,721, all of which was 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, 2012, consisted of the following:

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Nondepreciable capital assets:					
Land and land rights	$ 770,975	$ -	$ -	$ -	$ 770,975
Construction in progress	511,210	110,944			622,154
Total nondepreciable capital assets	1,282,185	110,944			1,393,129
Depreciable capital assets:					
General plant equipment and facilities	1,492,766	1,021	(75,719)		1,418,068
Water treatment	5,587,476	17,767	(8,593)		5,596,650
Transmission and distribution	13,220,028	151,940			13,371,968
Auburn Lake Trails septic facilities	856,535	6,602	(15,765)		847,372
Source of supply	6,635,958	40,315			6,676,273
Total depreciable capital assets	27,792,763	217,645	(100,077)		27,910,331
Less: accumulated depreciation	(14,403,084)	(717,604)	100,077		(15,020,611)
Net depreciable capital assets	13,389,679	(499,959)			12,889,720
Net capital assets	$ 14,671,864	$ (389,015)	$ -	$ -	$ 14,282,849

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	$ 685,140
Wastewater Disposal	32,464
Total Depreciation Expense-Business-type Activities	$ 717,604

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 Capital Facility 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. The study is being amortized over five years. 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 progress as of June 30, 2012, consisted of the following:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital Facility Charge Study	$ 44,155	$ -	$ -	$ 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	4,717		40,665
Total amortizable assets	117,511	4,717		122,228
Less: accumulated amortization	(60,079)	(23,874)		(83,953)
Unamortized Balance	$ 57,432	$ (19,157)	$ -	$ 38,275

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 $118,730 at June 30, 2012. It is anticipated that $78,094 of these benefits will be used after June 30, 2013.

Note 6: Long-Term Debt (Continued)

B. **Notes Payable**

	Balance June 30, 2012
Department of Water Resources: Five 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 Pilot Hill North Water Assessment District contract was 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%.	369,424
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%.	125,345
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, includes interest on the outstanding note balance at 3.41%.	312,637
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%.	368,138
Total Department of Water Resources Notes Payable	$1,175,544
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.	27,230
Total Notes Payable	$ 1,202,774

Note 6: Long-Term Debt (Continued)

B. **Notes Payable (Continued)**

Future minimum debt service requirements for notes payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	$ 75,076	$ 35,430	$ 110,506
2014	77,266	33,240	110,506
2015	79,584	30,922	110,506
2016	81,935	28,571	110,506
2017	84,490	26,016	110,506
2018-2022	444,103	90,275	534,378
2023-2027	272,920	31,403	304,323
2028-2030	87,400	3,170	90,570
	$ 1,202,774	$279,027	$ 1,481,801

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 totaled $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, 2012 was $88,734.

Fiscal Year Ending June 30,	Principal	Interest	Total
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	17,543	457	18,000
2018	5,963	37	6,000
	$ 88,734	$ 7,266	$ 96,000

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

Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Notes payable	$1,391,445	$ -	$ (188,671)	$ 1,202,774	$ 75,076
Capital lease	103,875		(15,141)	88,734	15,594
Post-employment benefits	66,904	194,001	(112,280)	148,625	
Compensated absences	136,501	37,635	(55,406)	118,730	40,636
Long-term liabilities	$ 1,698,725	$ 231,636	$ (371,498)	$ 1,558,863	$ 131,306

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, 2012 and June 30, 2011, was $208,104 and $217,800, 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, 2012 and June 30, 2011 was $145,000 and $176,000, 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 139 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 May 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 Capital Facility 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.
>
> Capital Facility 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 GardenValley: For use in activities specific to the designated area.
>
> Hydroelectric: To provide for hydroelectric activities

Note 10: Net Assets (Continued)

Restricted and unrestricted nets assets are identified by use as follows as of June 30, 2012:

	Water	Wastewater Disposal	Total
Restricted Net Assets:			
New Facilities:			
Water Development	$ 387,752	$ -	$ 387,752
Stumpy Meadows Emergency Reserve	2,162,548		2,162,548
Capital Facility Charges	1,572,684		1,572,684
Short-lived Asset Replacement	755,271		755,271
C.D.S. Replacement		43,707	43,707
C.D.S. Expansion		132,115	132,115
Total New Facilities Net Assets	4,878,255	175,822	5,054,077
Debt Service:			
Kelsey North	$ 114,707	$ -	$ 114,707
Kelsey South	193,950		193,950
Pilot Hill South	126,566		126,566
Total Debt Service Net Assets	435,223		435,223
Total Restricted Net Assets	$ 5,313,478	$ 175,822	$ 5,489,300
Unrestricted Net Assets:			
Unrestricted Designated Net Assets:			
Retiree	$ 408,367	$ -	$ 408,367
Georgetown/Buckeye	3		3
Garden Valley	106,383		106,383
Hydroelectric	360,187		360,187
Total Unrestricted Designated Net Assets	874,940		874,940
Unrestricted Undesignated Net Assets	1,797,232	296,199	2,093,431
Total Unrestricted Net Assets	$ 2,672,172	$ 296,199	$ 2,968,371

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, fidelity 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), $100,000 (fidelity) and $2,000,000 (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 2012 were $114,733.

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 employees represented by Stationary Engineers, Local 39 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, CA95814.

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, 2012 were 34.564% and 14.113% of annual covered salary for active employees depending on the employee's date of hire. The higher rate is due to CalPERS requiring the District to be part of a small employer pool and the 2006 contract change which require payments to reduce a side fund. The side fund payment percentage is 18.342% of the 34.564%. 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, 2012, 2011, and 2010, were $317,752, $313,968, and $319,983, 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, 2012. The District does not make contributions on behalf of the employees.

The District is the administrator of the plans. The International City Management Association (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. The benefits for the few unrepresented and management employees as of April 11, 2006 are dictated by Ordinance 2006-01 as well. 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 2011-12, the District paid $112,280 for retiree benefits and received retiree contributions of $32,797, for a net cost of $79,483. Currently, there are 16 retirees who are receiving benefits. The District administers the plan described above and has accumulated $547,639 in cash and investments for these benefits as of June 30, 2012. 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	$ 161,204
Annual OPEB cost (expense)	161,204
Contributions made	(79,483)
Increase in net OPEB obligation	81,721
Net OPEB obligation - beginning of fiscal year	66,904
Net OPEB obligation - end of fiscal year	$ 148,625

The District 's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 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
6/30/2012	161,204	49%	148,625

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent Alternate Measurement Method valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,703,923, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,703,923. The covered payroll (annual payroll of active employees covered by the plan) was $1,586,957, and the ratio of the UAAL to the covered payroll was 107 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) method 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, 2012 valuation, the attained age cost method was used. The valuation assumptions included a .5 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 1.6 percent, and an annual healthcare cost trend rate of 3.6 percent. There are no assets designated for the plan as of June 30. 2012. 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, 2012 was eleven 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.

The proposition also provides for a customer protest process when fees for services benefiting a property are proposed to be increased. The District follows this process when changes are contemplated for water sales and waste disposal zone charges.

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.

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 plaintiff is expected to appeal the decision. The District plans to vigorously fight the appeal and try to recover costs incurred to defend these rights.

At June 30, 2012, the District had commitments related to the design of the Auburn Lake Trials Water Treatment Plant and for future maintenance/updates for the mapping of District facilities in the amounts of $34,220 and $14,251, respectively.

Note 17: Subsequent Events

On August 8, 2012, the District became aware of a potential breach of confidential information for certain employees. Out of an abundance of caution, the District is providing a year of identity theft services for the employees involved.

In preparing the accompanying financial statement, the District management has reviewed all known events that have occurred after June 30, 2012, and through October 17, 2012, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Required Supplementary Information
June 30, 2012

Other Post-employment 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%
6/30/2012	$ 1,703,923	$ -	$ 1,703,923	0.0%	$ 1,586,957	107.4%

SUPPLEMENTARY INFORMATION

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Schedule of Operating Expenses
For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	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	2012	2011
Salaries and part-time labor	$ 102,742	$ 251,308	$ 181,709	$ 233,864	$ 198,210	$ 218,949	$ 127,978	$ 1,314,760	$ 1,519,530
CalPERS benefits	22,675	57,542	47,063	59,464	45,492	57,323	29,232	318,791	316,048
Payroll taxes	7,445	19,011	15,292	19,622	14,910	18,533	9,796	104,609	119,345
Insurance - health and life plans	21,948	62,002	51,467	57,683	50,139	6,334	32,750	282,323	304,104
Insurance - workers' compensation	5,037	20,086	5,342	12,081	2,400	2,302	4,653	51,901	54,485
Insurance - District plan	-	-	-	-	-	19,862	-	19,862	17,556
Accounting and audit fees	-	-	-	-	-	8,567	645	9,212	8,955
Building maintenance and repairs	-	-	27	-	-	5,007	-	5,034	5,519
Director stipends	-	-	-	-	-	24,000	-	24,000	23,600
Engineering fees	23,739	-	1,870	-	-	-	-	25,609	25,289
Insurance - general	1,681	13,116	13,922	14,331	8,211	6,881	4,985	63,127	62,017
Legal - general	437	45,215	592	100	3,110	30,433	582	80,469	165,684
Supplies, rentals and durable goods	5,159	12,292	60,706	35,061	75	2,076	5,693	121,062	147,285
Office supplies	-	139	338	290	11,905	10,102	1,983	24,757	26,934
Outside services	2,228	27,476	5,218	22,554	406	8,986	3,907	70,775	90,915
Retiree benefits	-	-	-	-	-	161,204	-	161,204	124,802
Development and travel	43	93	31	71	25	894	31	1,188	6,815
Utilities	2,021	163	146,657	9,097	2,894	16,606	8,791	186,229	181,140
Equipment and vehicle maintenance	3,864	8,555	2,872	5,006	1,900	5,759	2,781	30,737	42,201
Vehicle operations	7,028	21,084	4,325	11,894	-	4,325	5,406	54,062	60,949
Regulatory requirements and fees	38,425	635	30,976	2,724	1,563	773	36,656	111,752	109,676
Other - County election admin.	-	-	-	-	-	-	-	-	6,303
Other - County property tax admin.	-	-	-	-	-	34,199	-	34,199	37,004
Other - Memberships	-	-	-	152	937	15,579	-	16,668	12,459
Depreciation	110,985	72,835	201,338	256,993	21,495	21,494	32,464	717,604	675,470
Amortization	-	-	-	-	-	23,874	-	23,874	18,116
Other	-	1,235	-	-	38	1,999	-	3,272	1,324
Total	$ 355,457	$ 612,787	$ 769,745	$ 740,987	$ 363,710	$ 706,061	$ 308,333	$ 3,857,080	$ 4,163,525

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Restricted Plant Benefit Charges and Disclosures For the Fiscal Year Ended June 30, 2012

	Water Development	Capital Facility Charges	Short-lived Asset Replacement	Community Disp. System Rep. Benefit	Comm. Disp. System Expan. Benefit	Total
Balance at June 30, 2011	$ 384,703	$ 1,555,022	$ 1,226,590	$ 43,283	$ 118,478	$ 3,328,076
Activity for fiscal year ended June 30, 2012:						
Sources:						
Zone repair reimbursments				383		383
Transfer per District Reserve Policy					16,000	16,000
Interest earned	749	10,762	8,439	77	259	20,286
Restricted benefit charges	2,300	6,900				9,200
Total sources	3,049	17,662	8,439	460	16,259	45,869
Uses:						
Transfer for short-lived assets paid for by water general fund in fiscal year 2010-11			(479,758)			(479,758)
Zone repairs materials				(36)		(36)
CDS repairs					(2,622)	(2,622)
Total Uses			(479,758)	(36)	(2,622)	(482,416)
Balance at June 30, 2012	$ 387,752	$ 1,572,684	$ 755,271	$ 43,707	$ 132,115	$ 2,891,529

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

June 30, 2012

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
June 30, 2012

TABLE OF CONTENTS

MOSS, LEVY & HARTZHEIM LLP
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October 17, 2012

To the Board of Directors of
the Georgetown Divide 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 Divide Public Utility District (District), as of and for the fiscal year ended June 30, 2012, 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 2012-01 through 2012-03 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 2012-04. 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

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Culver City, CA

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October 17, 2012

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 for the fiscal year ended June 30, 2012. 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 meeting on August 27, 2012. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

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 Divide 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 Governmental Accounting Standards Board (GASB) Statement No. 64. 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 the California Public Employees' Retirement System (CalPERS), 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 CalPERS is based on CalPERS'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 October 17, 2012.

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 Divide 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 Divide 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 Divide Public Utility District and management of the Georgetown Divide Public Utility District 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, CA

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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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2012. 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

Management of the District is responsible for establishing and maintaining effective 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 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 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of current year recommendations that we consider to be significant deficiencies in internal control over financial reporting (Findings 2012-01 through 2012-03). 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.

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 grants, 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* and the *Minimum Audit Requirements and Reporting Guidelines for California Special Districts.*

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, LLP
Culver City, California
October 17, 2012

CURRENT YEAR RECOMMENDATIONS

Significant Deficiencies

2012-01 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. The finding fails to mention that accounting policies exist for all material aspects of the District and those policies have been followed. The finding also fails to mention that there are policies that are followed. 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 unwritten practices to writing as purchasing, audit committee, and reporting suspected fraud policies provides little cost benefit or additional benefits to customers. A half-time administrative assistant position has been held vacant for some time now to reduce costs. This position needs to be filled to provide the additional resources for additional administrative duties like the preparation, dissemination and up-dating of policies. It is estimated that the half-time position would cost about $25,000.

2012-02 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. 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 review of all journal entries. The District would need to hire a part-time accountant to work for a full-time finance manager or a full-time accountant and a part-time finance manager. Staff estimates that it will cost about $60,000 to implement this recommendation.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Significant Deficiencies (Continued)

2012-03 Finding – Lack of impairment assessment during review of capital assets:

During the review of capital assets, it was noted that the District does not assess capital assets for impairment on an annual basis.

Effect:

Without an assessment of capital assets for impairments, assets may be overvalued on the books of the District, which could lead to a material misstatement in the financial statements.

Recommendation:

We recommend that the District review capital assets for any impairments on an annual basis.

District's Response:

This is not a material weakness. The District did have the Operations Managers review the fixed assets in their areas of responsibility before they retired. The review was to identify assets that needed to be removed from the fixed assets ledgers due to the changes that had occurred over the last several years. Because the District's assets are primarily infrastructure, they do not change often and the value is not impaired easily. The General Manager and Business/Finance Manager work together to ascertain if any events occur that require the removal or devaluation of assets. An example would have been the write-off of the Auburn Lake Trails Water Treatment Plant, if the Greenwood Reservoir Water Treatment Plant would have been completed. The Government Finance Officers Association recommends reviewing the condition of facilities every one to three years. A major review was done in 2002 by KASL Engineering with grant funding. The District reviews capital needs as part of each budget. A more in depth review would be time consuming and require the assistance of a consultant. This may be an activity that the El Dorado County Water Agency would cost share.

Other Matter

2012-04 Finding – Lack of Board President and General Counsel Signature on the General Manager's Employment Contract:

During our examination of the General Manager's employment contract, we noted it lacked signatures of the General Counsel and the Board President.

Effect:

Without authorizing signatures, we are unable to ensure the validity of the contract.

Recommendation:

We recommend that all employment contracts be signed by the appropriate individuals.

District's Response:

This is not a material or significant weakness. The District agrees that all contracts be signed by appropriate individuals and has taken steps to correct this oversight. The auditor certainly can ensure the validity of the contract by reviewing the minutes of the meeting where it was approved. The District's permanent records for the December 2011 meeting included a copy of the agreement as does the packet on the District's website.

STATUS OF PRIOR YEAR RECOMMENDATIONS

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.

Status:
Not implemented – See Finding 2012-01.

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.

Status:
Not implemented – See Finding 2012-02.

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.

Status:
Implemented.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

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.

Status:

Implemented.

Exhibit B

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Condensed Basic Financial Statements

Financial Highlights

The year was once again challenging from an economic perspective. Total revenue for the fiscal year ending June 30, 2012 was $3,893,214, a decrease of $226,941 or 5.51% from the previous year. Total expenses were $3,907,317, a decrease of $314,643 or 7.45% from the previous year. The decrease in net assets was $14,103 for the year. By closely monitoring the budget and cutting expenses, the District was able to keep this year's decrease to net assets significantly lower than last year's decrease to net assets.

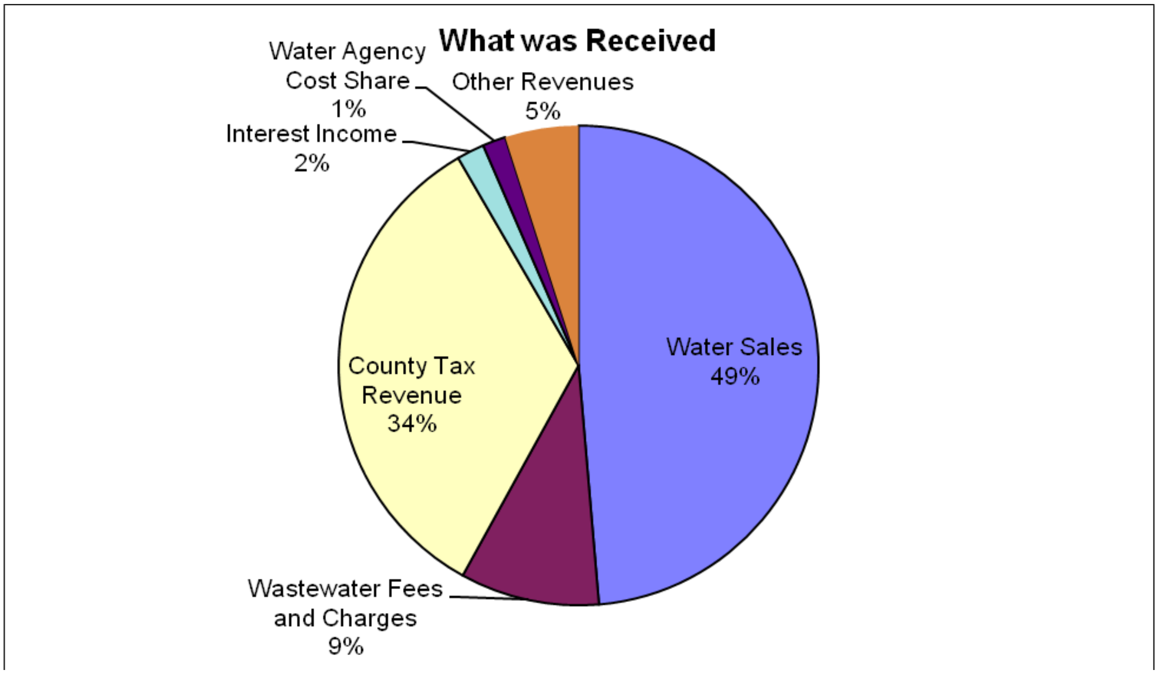
Operating revenue totaled $2,295,309 for the fiscal year ended June 30, 2012, an increase of $52,234 or 2.33% from the previous year. Operating expenses totaled $3,857,080, a decrease of $306,445 or 7.36% from the previous year.

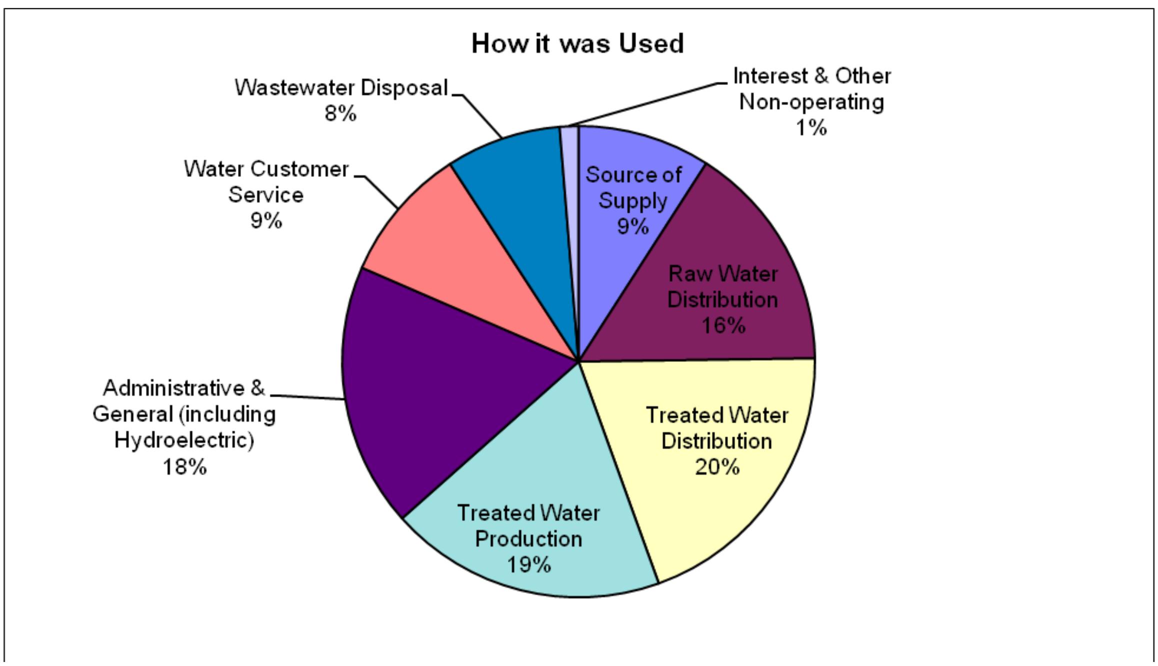
Non-operating revenue was $1,597,905, a decrease of $279,175 or 14.87%. The primary cause of the non-operating revenue decrease was due to a one-time $200,000 El Dorado County Water Agency grant received in the previous year and not repeated in the year ended June 30, 2012. Non-operating expense was $50,237, a decrease of $8,198 or 14.03%. The remaining non-operating revenue supplements operating revenue to cover operating expenses.

Other significant financial activities were:

- Freezing salaries and not filling certain positions.
- Holding CalPERS benefit payments to nearly the same amount as last year, even with increasing CalPERS rates.
- Investing an additional $62,038 on raw water ditch improvements during the year.
- Investing an additional $25,280 in equipment and water treatment plant improvements to run the plants more efficiently.
- Investing $94,575 in efforts to update and modernize the mapping of the District's facilities.
- Investing $99,853 towards the retrofit of the Auburn Lake Trials Water Treatment Plant Retrofit Project.
- Retiring $115,882 of debt for the Pilot Hill North Assessment District whose assessments were scheduled to end during fiscal year 2012 eliminating future interest expense.

This information has been extracted from the annual audited Basic Financial Statements. A copy of the Basic Financial Statements containing considerably more information can be found at gd-pud.org under the finances section or may be reviewed at the Georgetown Divide Public Utility District office at 6425 Main Street in Georgetown.


What was Received
Water Agency Cost Share 1%
Other Revenues 5%
Interest Income 2%
Water Sales 49%
County Tax Revenue 34%
Wastewater Fees and Charges 9%


How it was Used
Wastewater Disposal 8%
Interest & Other Non-operating 1%
Water Customer Service 9%
Source of Supply 9%
Raw Water Distribution 16%
Administrative & General (including Hydroelectric) 18%
Treated Water Distribution 20%
Treated Water Production 19%

Condensed Basic Financial Statements
Proprietary Funds
Statement of Net Assets
June 30, 2012

Assets	**Water**	**Wastewater**
Current Assets:		
Cash and investments	$ 1,691,017	$301,180
Other current assets	644,445	9,255
Total Current Assets	2,335,462	310,435
Restricted Assets:		
Cash and investments	5,353,566	171,667
Other current restricted assets	70,844	4,183
Non-current assessments receivable	577,006	-
Total Restricted Assets	6,001,416	175,850
Capital Assets – net of accumulated depreciation	13,935,899	346,950
Special Studies – net of accumulated amortization	38,275	-
Total Assets	22,311,052	833,235
Liabilities		
Current Liabilities	118,174	6,933
Current Liabilities Payable from Restricted Assets	11,305	-
Noncurrent Liabilities:		
Due in one year	126,522	4,784
Due in more than one year	1,425,010	2,547
Total Long-Term Liabilities	1,551,532	7,331
Total Liabilities	1,681,011	14,264
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,644,391	346,950
Restricted for New Facilities	4,878,255	175,822
Restricted for Debt Service	435,223	-
Unrestricted	2,672,172	296,199
Total Net Assets	$ 20,630,041	$818,971

Condensed Basic Financial Statements
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the year ended June 30, 2012

	Water	Wastewater
Operating Revenues		
Water Sales	$1,893,830	-
Wastewater Fees and Charges	-	365,132
Other Operating Revenue	36,347	-
Total Operating Revenue	1,930,177	365,132
Operating Expenses		
Source of Supply	244,472	-
Transmission and Distribution-Raw Water	539,952	-
Water Treatment	568,407	-
Transmission and Distribution-Treated Water	483,994	-
Administrative and General	660,693	-
Customer Service	342,215	-
Depreciation and amortization	709,014	32,464
Wastewater	-	275,869
Total Operating Expenses	3,548,747	308,333
Operating Income (Loss)	(1,618,570)	56,799
Non-operating Revenues		
County Tax Revenue	1,308,494	-
Interest Income	71,295	868
Water Agency Cost Sharing	60,813	-
Restricted Benefit Charges	9,200	-
Hydroelectric Royalty Payments	56,237	-
Lease Revenue	46,571	-
Other Non-operating Revenues	44,427	-
Total Non-operating Revenues	1,597,037	868
Non-operating Expenses		
Interest Expense	42,801	-
Other Non-operating Expense	7,436	-
Total Non-operating Expenses	50,237	-
Non-operating Income (Loss)	1,546,800	868
Net Income before Capital Contributions	(71,770)	57,667
Net Assets, Beginning of Fiscal Year	20,701,811	761,304
Net Assets, End of Fiscal Year	$20,630,041	$818,971