

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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, 2014, and the related notes to the financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and fiduciary fund of the District as of June 30, 2014, and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2013, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress for Other Postemployment Benefits on pages 3-10 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 Benefits 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Operating Expenses and Restricted Plant Benefits Charges and Disclosures are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP  
Culver City, California  
March 2, 2015

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis June 30, 2014

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, 2014. 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 fiscal year was once again challenging from an economic perspective. Total revenue for the fiscal year ending June 30, 2014 was \$3,815,161, a decrease of \$132,823 or 3.36% from the previous fiscal year. Total expenses were \$3,845,111, a decrease of \$29,130 or .75% from the previous fiscal year. The decrease in net position was \$29,950 for the fiscal year. By closely monitoring the budget and cutting expenses, the District was able to maintain a low decrease to net position.

Operating revenue totaled \$2,294,538 for the fiscal year ended June 30, 2014, a decrease of \$80,630 or 3.39% from the previous fiscal year. Operating expenses totaled \$3,773,226, a decrease of \$49,542 or 1.30% from the previous fiscal year.

Non-operating revenue was \$1,520,623, a decrease of \$52,193 or 3.32%. Non-operating expense was \$71,885, an increase of \$20,412 or 39.66%. The remaining non-operating revenue supplements operating revenue to cover operating expenses and capital improvements.

Other significant financial activities were:

- Not filling certain positions.
- Holding CalPERS benefit payments to nearly the same amount as last fiscal year due to personnel retirements, even with increasing CalPERS rates.
- Investing \$148,875 towards the design of the Auburn Lake Trails Water Treatment Plant Retrofit Project.
- Drought conditions which impacted all water sale revenues, especially irrigation revenues.

### 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 Position at June 30, 2014; the Statement of Activities for the fiscal year ended June 30, 2014 at the government-wide level; the Statement of Net Position – Proprietary Funds at June 30, 2014; the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds for the fiscal year ended June 30, 2014; and the Statement of Cash Flows – Proprietary Funds for the fiscal year ended June 30, 2014 at the fund level. The final required financial statement is the Statement of Fiduciary Assets and Liabilities. The financial statements also include comprehensive notes which summarize the official accounting policies of the District.

## GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

### Management's Discussion and Analysis June 30, 2014

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 Position* 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 position changed during the most recent fiscal year. All changes in net position 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 Position*. 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 net position 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 Assets and Liabilities* 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 Position and the Statement of Revenues, Expenses, and Changes in Net Position attempts to answer this question. Net position may be a useful indicator over time as to the District's financial position; however, there may be other non-economic factors that could cause a change in the District's financial situation.

#### Statement of Net Position

The Statement of Net Position is a snapshot in time that shows assets, liabilities, and net position as of June 30, 2014. Net Position decreased by \$29,950 to \$19,875,511 in fiscal year 2014. Total assets decreased by \$230,392 and liabilities decreased by \$200,442 from the previous fiscal year. There is a decrease in net capital assets mainly due to depreciation. A summary of the District's Statement of Net Position is presented in Table A-1.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Management's Discussion and Analysis  
June 30, 2014**

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

	<u>Fiscal Year</u> <u>2014</u>	<u>Fiscal Year</u> <u>2013</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Current Assets	\$3,552,482	\$3,327,764	\$224,718	6.75%
Restricted Assets	6,121,674	6,130,703	(9,029)	-0.15%
Capital Assets, Net of Accumulated Depreciation	13,295,944	13,714,398	(418,454)	-3.05%
Other Assets	<u>-0-</u>	<u>27,627</u>	<u>(27,627)</u>	100.00%
 Total Assets	 <u>22,970,100</u>	 <u>23,200,492</u>	 <u>(230,392)</u>	 -0.99%
 Current Liabilities	 152,646	 195,376	 (42,730)	 -21.87%
Current Restricted Liabilities	12,855	10,828	2,027	18.72%
Long-term Liabilities	<u>2,929,088</u>	<u>3,088,827</u>	<u>(159,739)</u>	-5.17%
 Total Liabilities	 <u>3,094,589</u>	 <u>3,295,031</u>	 <u>(200,442)</u>	 -6.08%
 Net investment in Capital Assets	 12,187,963	 12,513,560	 (325,597)	 -2.60%
Restricted for Facilities	5,126,623	5,121,844	4,779	0.09%
Restricted for Debt Service	475,394	448,181	27,213	2.72%
Unrestricted Net Position	<u>2,085,531</u>	<u>1,821,876</u>	<u>1,030,775</u>	56.58%
 Total Net Position	 <u>\$19,875,511</u>	 <u>\$19,905,461</u>	 <u>(\$29,950)</u>	 <u>-0.15%</u>

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

The Statement of Revenues, Expenses, and Changes in Net Position provides information on the nature and source of assets represented on the Statement of Net Position. It also shows that the expenses exceeded revenues by \$29,950. Ending net position totaled \$19,875,511. Total revenues decreased by \$132,823 in 2014 totaling \$3,815,161. Operating revenue decreased by \$80,630. The Statement of Revenues, Expenses, and Changes in Net Position lists the operating revenues and the non-operating revenues together and compares them to the operating and non-operating expenses. Table A-2 depicts total revenues and total expenses and the resulting changes in net position.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Management's Discussion and Analysis  
June 30, 2014**

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

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$2,294,538	\$2,375,168	(\$80,630)	-3.39%
Non-operating Revenues and Contributions	<u>1,520,623</u>	<u>1,572,816</u>	<u>(52,193)</u>	-3.32%
Total Revenues	<u>3,815,161</u>	<u>3,947,984</u>	<u>(132,823)</u>	-3.36%
Operating Expenses	3,773,226	3,822,768	(49,542)	-1.30%
Non-operating Expenses	<u>71,885</u>	<u>51,473</u>	<u>20,412</u>	39.66%
Total Expenses	<u>3,845,111</u>	<u>3,874,241</u>	<u>(29,130)</u>	-0.75%
Net Income (Loss)	(29,950)	73,743	(103,693)	140.61%
Beginning Net Position, Restated	<u>19,905,461</u>	<u>19,831,718</u>	<u>73,743</u>	0.37%
Ending Net Position	<u>\$19,875,511</u>	<u>\$19,905,461</u>	<u>(\$29,950)</u>	<u>-0.15%</u>

**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. Due to dry weather conditions and conservation practices, water demand revenue decreased over the prior fiscal year. The remaining operating revenues were close to expectations. Operating revenues are depicted in Table A-3.

**Table A-3  
Condensed Operating Revenues**

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Water Sales - Residential	\$1,497,583	\$1,511,414	(\$13,831)	-0.92%
Water Sales - Commercial	233,755	255,229	(21,474)	-8.41%
Water Sales - Irrigation	187,705	218,497	(30,792)	-14.09%
Water Disposal Fees and Charges	340,340	352,420	(12,080)	-3.43%
Penalties	34,218	36,061	(1,843)	-5.11%
Connections	780	1,489	(709)	-47.62%
Other Operating Revenues	<u>157</u>	<u>58</u>	<u>99</u>	170.69%
Total Operating Revenues	<u>\$2,294,538</u>	<u>\$2,375,168</u>	<u>(\$80,630)</u>	<u>-3.39%</u>



## GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

### Management's Discussion and Analysis June 30, 2014

#### Operating Expenses by Department

Total operating expenses decreased \$49,542 or 1.29% to \$3,773,226. The largest expense increase was in Transmission and Distribution – Raw Water activities largely due to the Catbird Lane line movement required by PG&E. The decrease to On-site Wastewater Disposal Zone, I made the change.

Thanks,

Derek was due to position vacancies. Administrative service expenses increased due to personnel adjustments. The hydroelectric activities are combined with the administrative activities as they are not material enough to present separately. Source of Supply expenses increased due to personnel adjustments. The Water Treatment Plant expenses were reduced while operating with the minimum amount of staffing. Operating expenses are depicted in Table A-4.

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

	<u>Fiscal</u> <u>Year 2014</u>	<u>Fiscal</u> <u>Year 2013</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Source of Supply	\$273,696	\$223,139	\$50,557	22.66%
Transmission and Distribution – Raw Water	533,782	626,750	(92,968)	-14.83%
Water Treatment	543,592	548,416	(4,824)	-0.88%
Transmission and Distribution – Treated Water	620,552	466,800	153,752	32.94%
Customer Service	207,892	324,025	(116,133)	-35.84%
Administrative and Hydroelectric	698,983	682,419	16,564	2.43%
Depreciation and Amortization	693,720	727,916	(34,196)	-4.70%
On-site Wastewater Disposal Zone	<u>201,009</u>	<u>223,303</u>	<u>(22,294)</u>	-9.98%
Total Operating Expenses	<u>\$3,773,226</u>	<u>\$3,822,768</u>	<u>(\$49,542)</u>	<u>-1.29%</u>

#### Operating Revenues vs. Operating Expenses

The District's operating net loss decreased by \$31,088. Table A-5 compares operating revenues to operating expenses and depicts the District's reliance on other revenue for operations.

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

	<u>Fiscal Year</u> <u>2014</u>	<u>Fiscal Year</u> <u>2013</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenues	\$2,294,538	\$2,375,168	(\$80,630)	-3.39%
Operating Expenses	<u>3,773,226</u>	<u>3,822,768</u>	<u>(49,542)</u>	-1.30%
Operating Loss	<u>(\$1,478,688)</u>	<u>(\$1,447,600)</u>	<u>(\$31,088)</u>	<u>-2.15%</u>

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis June 30, 2014

### Non-operating Revenues and Expenses

The District's non-operating income is vital to covering operations. Property taxes increased this fiscal year and interest income declined. Table A-6 compares non-operating revenues and expenses.

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

	<u>Fiscal Year</u> <u>2014</u>	<u>Fiscal Year</u> <u>2013</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Property Taxes – General	\$1,326,152	\$1,309,832	\$16,320	1.25%
Interest Income	41,502	62,476	(20,974)	-33.57%
Restricted Benefit Charges	11,600	22,193	(10,593)	-47.73%
Lease Revenue	48,399	47,471	928	1.95%
Hydroelectric Royalty Payments	47,979	64,390	(16,411)	-25.49%
Other	<u>44,991</u>	<u>66,454</u>	<u>(21,463)</u>	-32.30%
Total Non-Operating Revenues (Including Property Owner Contributions)	<u>1,520,623</u>	<u>1,572,816</u>	<u>(52,193)</u>	-3.32%
Total Non-operating Expenses	<u>71,885</u>	<u>51,473</u>	<u>20,412</u>	39.66%
Non-operating Income less Non-operating Expense	<u>\$1,448,738</u>	<u>\$1,521,343</u>	<u>(\$72,605)</u>	<u>-4.77%</u>

### Capital Assets

The District's investment in capital assets for the fiscal year was \$259,584 while depreciation expense was \$666,093. The investment in capital improvements include but are not limited to:

- \$155,359 for moving the Auburn Lake Trails Water Treatment Plant Retrofit project forward,
- \$82,179 for ditch repair.

Additional information about District capital assets can be obtained in Note 4 of the notes to the financial statements.

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Management's Discussion and Analysis June 30, 2014

### Long-term Debt and Debt Administration

At June 30, 2014, the District had \$2,929,088 in long-term debt, including compensated absences and other postemployment benefits obligations, \$160,208 less than the prior fiscal year. 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 Note 6 of 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. CalPERS requires the District to be part of a small employer pool and the 2006 contract change which require payments to reduce a side fund. 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 unfunded balance for the side fund at June 30, 2013 was \$1,529,267 and \$1,428,539 at June 30, 2014.

### 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 the June 30, 2012 valuation date was \$1,703,923. The District has set aside \$561,651 in a separate fund, which is combined with the Water Fund in these financial statements, 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 financial statements. Additional information about postemployment benefits other than pensions can be obtained in Note 14 of 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.

## **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](http://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, P.O. Box 4240, Georgetown, CA 95634-4240.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Net Position  
June 30, 2014  
(With Comparative Totals as of June 30, 2013)**

	Business-type Activities	
	2014	2013
<u>Assets</u>		
Current Assets:		
Cash and investments	\$ 3,015,425	\$ 2,790,742
Receivables:		
Accounts	432,510	432,712
Interest	1,299	771
Inventory	10,002	4,233
Deposits and prepaid expenses	93,246	99,306
	<u>3,552,482</u>	<u>3,327,764</u>
Total Current Assets		
Restricted Assets:		
Cash and investments	5,624,161	5,554,909
Receivables:		
Interest	4,006	5,253
Current assessments	65,776	63,553
Non-current assessments receivable	427,731	506,988
	<u>6,121,674</u>	<u>6,130,703</u>
Total Restricted Assets		
Capital assets - net of accumulated depreciation	<u>13,295,944</u>	<u>13,714,398</u>
Other Assets:		
Special studies, net of accumulated amortization		<u>27,627</u>
Total Other Assets		<u>27,627</u>
Total Assets	<u>\$ 22,970,100</u>	<u>\$ 23,200,492</u>

(Continued)

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

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Net Position (Continued)**  
**June 30, 2014**  
**(With Comparative Totals as of June 30, 2013)**

	Business-type Activities	
	2014	2013
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 86,310	\$ 147,336
Accrued expenses	53,271	37,048
Deposits payable	752	752
Unearned revenue	12,313	10,240
	<u>152,646</u>	<u>195,376</u>
Total Current Liabilities		
Current Liabilities Payable from Restricted Assets:		
Accrued interest payable	7,894	8,187
Accounts payable	3,790	1,469
Unearned revenue	1,171	1,172
	<u>12,855</u>	<u>10,828</u>
Total Current Liabilities Payable from Restricted Assets		
Noncurrent Liabilities:		
Due in one year	229,492	291,804
Due in more than one year	2,699,596	2,797,023
	<u>2,929,088</u>	<u>3,088,827</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>3,094,589</u>	<u>3,295,031</u>
<u>Net Position</u>		
Net investment in capital assets	12,187,963	12,513,560
Restricted for new facilities	5,126,623	5,121,844
Restricted for debt service	475,394	448,181
Unrestricted	2,085,531	1,821,876
	<u>2,085,531</u>	<u>1,821,876</u>
Total Net Position	<u>\$ 19,875,511</u>	<u>\$ 19,905,461</u>

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, 2014  
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>		<u>Operating Contributions and Grants</u>	<u>2014</u>
Business-type activities:					
Water	\$ 3,616,724	\$ 1,954,198	\$ -	\$ (1,662,526)	\$ (1,593,554)
Wastewater Disposal	228,387	340,340		111,953	97,278
Total business-type activities	<u>\$ 3,845,111</u>	<u>\$ 2,294,538</u>	<u>\$ -</u>	<u>(1,550,573)</u>	<u>(1,496,276)</u>
General Revenues					
Taxes:					
Property taxes				1,326,152	1,309,832
Investment income				41,502	62,476
Other				152,969	197,711
Total general revenues				<u>1,520,623</u>	<u>1,570,019</u>
Change in net position				<u>(29,950)</u>	<u>73,743</u>
Net position at beginning of fiscal year				19,905,461	21,449,012
Prior period adjustment					<u>(1,617,294)</u>
Net position at beginning of fiscal year, restated				<u>19,905,461</u>	<u>19,831,718</u>
Net position at end of fiscal year				<u>\$ 19,875,511</u>	<u>\$ 19,905,461</u>

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

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**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Net Position - Proprietary Funds  
June 30, 2014  
(With Comparative Totals as of June 30, 2013)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2014	2013
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 2,437,131	\$ 578,294	\$ 3,015,425	\$ 2,790,742
Receivables:				
Accounts	428,781	3,729	432,510	432,712
Interest	905	394	1,299	771
Inventory	10,002		10,002	4,233
Deposits and prepaid expenses	91,531	1,715	93,246	99,306
Total Current Assets	<u>2,968,350</u>	<u>584,132</u>	<u>3,552,482</u>	<u>3,327,764</u>
Restricted Assets:				
Cash and investments	5,448,135	176,026	5,624,161	5,554,909
Receivables:				
Interest	3,860	146	4,006	5,253
Current assessments	65,776		65,776	63,553
Non-current assessments receivable	427,731		427,731	506,988
Total Restricted Assets	<u>5,945,502</u>	<u>176,172</u>	<u>6,121,674</u>	<u>6,130,703</u>
Capital Assets - net of accumulated depreciation	<u>13,008,212</u>	<u>287,732</u>	<u>13,295,944</u>	<u>13,714,398</u>
Other Assets:				
Special studies, net of accumulated amortization				27,627
Total Other Assets				<u>27,627</u>
Total Assets	<u>\$ 21,922,064</u>	<u>\$ 1,048,036</u>	<u>\$ 22,970,100</u>	<u>\$ 23,200,492</u>

(Continued)

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

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

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

**June 30, 2014**

**(With Comparative Totals as of June 30, 2013)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2014	2013
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	\$ 80,170	\$ 6,140	\$ 86,310	\$ 147,337
Accrued expenses	51,885	1,386	53,271	37,048
Deposits payable	752		752	752
Unearned revenue	8,085	4,228	12,313	10,240
<b>Total Current Liabilities</b>	<b>140,892</b>	<b>11,754</b>	<b>152,646</b>	<b>195,377</b>
Current Liabilities Payable from Restricted Assets:				
Accrued interest payable	7,894		7,894	8,187
Accounts payable	3,790		3,790	1,469
Unearned revenue	1,171		1,171	1,171
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>12,855</b>		<b>12,855</b>	<b>10,827</b>
Noncurrent Liabilities:				
Due in one year	225,124	4,368	229,492	291,804
Due in more than one year	2,698,348	1,248	2,699,596	2,797,023
<b>Total Long-Term Liabilities</b>	<b>2,923,472</b>	<b>5,616</b>	<b>2,929,088</b>	<b>3,088,827</b>
<b>Total Liabilities</b>	<b>3,077,219</b>	<b>17,370</b>	<b>3,094,589</b>	<b>3,295,031</b>
<u>Net Position</u>				
Net investment in capital assets	11,900,231	287,732	12,187,963	12,513,560
Restricted for new facilities	4,950,451	176,172	5,126,623	5,121,844
Restricted for debt service	475,394		475,394	448,181
Unrestricted	1,518,769	566,762	2,085,531	1,821,876
<b>Total Net Position</b>	<b>\$ 18,844,845</b>	<b>\$ 1,030,666</b>	<b>\$ 19,875,511</b>	<b>\$ 19,905,461</b>

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

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2014	2013
Operating Revenues:				
Water sales:				
Residential	\$ 1,497,583	\$ -	\$ 1,497,583	\$ 1,511,414
Commercial	233,755		233,755	255,229
Irrigation	187,705		187,705	218,497
Installations and connections	780		780	1,489
Waste disposal:				
Zone charges		310,840	310,840	321,270
Design fees		900	900	600
Escrow fees		28,600	28,600	30,550
Penalties	34,218		34,218	36,061
Other	157		157	58
Total Operating Revenues	<u>1,954,198</u>	<u>340,340</u>	<u>2,294,538</u>	<u>2,375,168</u>
Operating Expenses:				
Source of supply	273,696		273,696	223,139
Transmission and distribution - raw water	533,782		533,782	626,750
Water treatment	543,592		543,592	548,416
Transmission and distribution - treated water	620,552		620,552	466,800
Customer service	207,892		207,892	324,025
Administrative and hydroelectric	698,983		698,983	682,419
Depreciation and amortization	666,342	27,378	693,720	727,916
On-Site Wastewater Disposal Zone		201,009	201,009	223,303
Total Operating Expenses	<u>3,544,839</u>	<u>228,387</u>	<u>3,773,226</u>	<u>3,822,768</u>
Operating Income (Loss)	<u>(1,590,641)</u>	<u>111,953</u>	<u>(1,478,688)</u>	<u>(1,447,600)</u>
Non-operating Revenues:				
Tax revenue - general	1,326,152		1,326,152	1,309,832
Interest income	40,325	1,177	41,502	62,476
Restricted benefit charges	11,600		11,600	22,193
Lease revenue	48,399		48,399	47,471
Hydroelectric royalty payments	47,979		47,979	64,390
Other	44,991		44,991	66,454
Total Non-operating Revenues	<u>1,519,446</u>	<u>1,177</u>	<u>1,520,623</u>	<u>1,572,816</u>
Non-operating Expenses:				
Interest	35,402		35,402	37,334
Loss on disposal of capital assets	11,945		11,945	
Other	24,538		24,538	14,139
Total Non-operating Expenses	<u>71,885</u>		<u>71,885</u>	<u>51,473</u>
Non-operating Income (Loss)	<u>1,447,561</u>	<u>1,177</u>	<u>1,448,738</u>	<u>1,521,343</u>
Change in Net Position	<u>(143,080)</u>	<u>113,130</u>	<u>(29,950)</u>	<u>73,743</u>
Net Position, Beginning of Fiscal Year	18,987,925	917,536	19,905,461	21,449,012
Prior Period Adjustment				(1,617,294)
Net Position, Beginning of Fiscal Year, Restated	<u>18,987,925</u>	<u>917,536</u>	<u>19,905,461</u>	<u>19,831,718</u>
Net Position, End of Fiscal Year	<u>\$ 18,844,845</u>	<u>\$ 1,030,666</u>	<u>\$ 19,875,511</u>	<u>\$ 19,905,461</u>

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

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Statement of Cash Flows**

**Proprietary Funds**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2014	2013
Cash Flows from Operating Activities:				
Receipts from customers	\$ 1,953,440	\$ 343,376	\$ 2,296,816	\$ 2,490,635
Payments to suppliers for goods and services	(1,259,149)	(104,471)	(1,363,620)	(1,059,949)
Payments to or on behalf of employees for services	(1,628,978)	(95,256)	(1,724,234)	(1,872,590)
Net Cash Provided (Used) By Operating Activities	(934,687)	143,649	(791,038)	(441,904)
Cash Flows from Noncapital Financing Activities:				
Property taxes	1,326,152		1,326,152	1,309,832
Assessment receivable payments	77,034		77,034	68,029
Restricted benefits charges received	11,600		11,600	22,193
Other revenues	141,369		141,369	178,315
Other expenses	(24,538)		(24,538)	(14,139)
Net Cash Provided By Noncapital Financing Activities	1,531,617		1,531,618	1,564,230
Cash Flows from Capital and Related Financing Activities:				
Acquisition of property, equipment, and special studies	(259,584)		(259,584)	(148,816)
Principal payments on long-term debt	(194,054)		(194,054)	(178,697)
Interest payments on long-term debt	(35,695)		(35,695)	(37,837)
Net Cash Used by Capital and Related Financing Activities	(489,333)		(489,333)	(365,350)
Cash Flows from Investing Activities:				
Proceeds from maturities of investments	400,000		400,000	1,242,125
Purchases of investments				(243,597)
Loan activity				4,058
Interest received	41,823	866	42,689	66,686
Net Cash Provided (Used) by Investing Activities	441,823	866	442,689	1,069,272
Net Increase (Decrease) in Cash and Cash Equivalents	549,420	144,515	693,935	1,826,248
Cash and Cash Equivalents, Beginning of Fiscal Year	6,735,846	609,805	7,345,651	5,519,403
Cash and Cash Equivalents, End of Fiscal Year	\$ 7,285,266	\$ 754,320	\$ 8,039,586	\$ 7,345,651
Reconciliation to the Statement of Net Position:				
Cash and investments	\$ 2,437,131	\$ 578,294	\$ 3,015,425	\$ 2,790,742
Restricted cash and investments	5,448,135	176,026	5,624,161	5,554,909
Total cash and investments	7,885,266	754,320	8,639,586	8,345,651
Less: investments that do not meet the definition of cash equivalents	(600,000)		(600,000)	(1,000,000)
Total Cash and Cash Equivalents	\$ 7,285,266	\$ 754,320	\$ 8,039,586	\$ 7,345,651

(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, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	Enterprise Funds		Totals	
	Water	Wastewater	2014	2013
		Disposal		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (1,590,641)	\$ 111,953	\$ (1,478,688)	\$ (1,447,600)
Noncash items included in operating income (loss):				
Depreciation	638,715	27,378	666,093	717,268
Amortization	27,627		27,627	10,648
Changes in assets and liabilities:				
Decrease (Increase) in operating assets:				
Accounts receivable	(1,798)	2,000	202	51,893
Long-term receivables				65,721
Inventory	(5,769)		(5,769)	(142)
Deposits and prepaid expenses	6,261	(201)	6,060	(852)
Increase (decrease) in operating liabilities:				
Accounts payable	(59,207)	502	(58,705)	69,148
Accrued expenses	16,291	(68)	16,223	2,793
Deposits payable				200
Compensated absences	(63,362)	1,049	(62,313)	(4,327)
Postemployment benefits	96,159		96,159	95,694
Unearned revenue	1,037	1,036	2,073	(2,348)
Net Cash Provided (Used) By Operating Activities	<u>\$ (934,687)</u>	<u>\$ 143,649</u>	<u>\$ (791,038)</u>	<u>\$ (441,904)</u>

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, 2014  
(With Comparative Totals for June 30, 2013)**

	Agency Fund	
<u>Assets</u>	2014	2013
Cash and investments	\$ 88,498	\$ 82,250
Receivables:		
Interest	26	80
Current assessments	4,619	4,441
Non-current assessments receivable	172,595	182,349
	<u>177,240</u>	<u>186,870</u>
Total Assets	<u>\$ 265,738</u>	<u>\$ 269,120</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 1,195	\$ 1,175
Accrued interest payable	2,365	3,226
Unearned revenue	63,037	60,999
	<u>66,597</u>	<u>65,400</u>
Total Current Liabilities	<u>66,597</u>	<u>65,400</u>
Noncurrent Liabilities:		
Due in one year	4,871	4,579
Due in more than one year	194,270	199,141
	<u>199,141</u>	<u>203,720</u>
Total Noncurrent Liabilities	<u>199,141</u>	<u>203,720</u>
Total Liabilities	<u>\$ 265,738</u>	<u>\$ 269,120</u>

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

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2014

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, who also serves as 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 Statements No. 39 and 61.

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

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

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2014

Note 1: Significant Accounting Policies (Continued)

### C. Basis of Presentation (Continued)

#### Fund Financial Statements

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

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, 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 Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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. Fiduciary funds are custodial in nature and do not have a measurement focus, however, they do use 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.



# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2014

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 Trails 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.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

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.

# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements

June 30, 2014

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 Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

### O. Reclassifications

Certain reclassifications may have been made to the 2013 financial statements to conform to the current presentation. These reclassifications had no effect on the previously reported change in net position.

### P. New Accounting Pronouncements

*Governmental Accounting Standards Board Statement No. 65*

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

Note 1: Significant Accounting Policies (Continued)

**P. New Accounting Pronouncement (Continued)**

*Governmental Accounting Standards Board Statement No. 66*

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, regarding the reporting of certain operating lease transactions, and No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

*Governmental Accounting Standards Board Statement No. 67*

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

*Governmental Accounting Standards Board Statement No. 70*

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements**

**June 30, 2014**

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	\$ 3,015,425
Restricted cash and investments	<u>5,624,161</u>
Cash and investments, Statement of Net Position	8,639,586
Cash and investments, Statement of Assets and Liabilities	<u>88,498</u>
 Total cash and investments	 <u>\$ 8,728,084</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 425
Deposits with financial institutions	46,001
Investments	<u>8,681,658</u>
Total cash and investments	<u>\$ 8,728,084</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	\$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

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements**

**June 30, 2014**

Note 2: Cash and Investments (Continued)

**B. Investments Authorized by Debt Agreements (Continued)**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Money Market Funds	N/A	None	None

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

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>					<u>More Than 60 Months</u>
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	
State Investment Pool (LAIF)	\$ 6,865,139	\$ 6,865,139	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	600,000	400,000		200,000			
Money Market Funds	1,197,262	1,197,262					
Held by debt trustees: Money Market Funds	19,257	19,257					
	<u>\$ 8,681,658</u>	<u>\$ 8,481,658</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements**

**June 30, 2014**

Note 2: Cash and Investments (Continued)

C. Disclosures Relating to Interest Rate Risk (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool (LAIF)	\$ 6,865,139	N/A	\$ -	\$ -	\$ -	\$ -	\$ 6,865,139
Certificates of Deposit*	600,000	N/A					600,000
Money Market Funds	1,197,262	N/A					1,197,262
Held by debt trustees:							
Money Market Funds	19,257	N/A		19,257			
<b>Total</b>	<b>\$ 8,681,658</b>		<b>\$ -</b>	<b>\$ 19,257</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,662,401</b>

\*Covered by FDIC insurance.

D. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. Only investments with LAIF and the Money Market Funds exceed 5% or more of total District investments. The Money Market Funds are collateralized for the amount over the Federal Deposit Insurance Corporation amount or backed by United States obligations.

E. Custodial Credit Risk

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

As of June 30, 2014, \$1,059,821 of the District's deposits and investments with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

F. Investment in State Investment Pool

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

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements**

**June 30, 2014**

Note 2: Cash and Investments (Continued)

Restricted cash and investments are identified by use as follows at June 30, 2014:

	<u>Water</u>	<u>Waste Disposal</u>	<u>Total</u>
Debt Service:			
Kelsey South	\$ 205,603	\$ -	\$ 205,603
Pilot Hill South	136,932		136,932
Kelsey North	117,848		117,848
State Revolving Fund	<u>22,905</u>		<u>22,905</u>
Total Debt Service Cash and Investments	<u>483,288</u>		<u>483,288</u>
 New Facilities:			
Stumpy Meadows Emergency Reserve	2,200,884		2,200,884
Capital Facility Charges	1,608,896		1,608,896
Short-lived Asset Replacement Reserve	759,146		759,146
Water Development	395,921		395,921
Community Disposal System Replacement And Expansion		<u>176,026</u>	<u>176,026</u>
Total New Facilities Cash and Investments	<u>4,964,847</u>	<u>176,026</u>	<u>5,140,873</u>
Total Restricted Cash and Investments	<u>\$ 5,448,135</u>	<u>\$ 176,026</u>	<u>\$ 5,624,161</u>

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, 2014 were as follows:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Water Restricted Assessments Receivable	\$ 65,776	\$ 427,731	\$ 493,507
Fiduciary Assessments Receivable	<u>4,619</u>	<u>172,595</u>	<u>177,214</u>
Total Assessments Receivable	<u>\$ 70,395</u>	<u>\$ 600,326</u>	<u>\$ 670,721</u>



**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

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, 2014, consisted of the following:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Nondepreciable capital assets:				
Land and land right	\$770,975	\$ -	\$ -	\$770,975
Construction in progress	<u>704,450</u>	<u>155,359</u>	<u>(11,945)</u>	<u>847,864</u>
Total nondepreciable capital assets	<u>1,475,425</u>	<u>155,359</u>	<u>(11,945)</u>	<u>1,618,839</u>
Depreciable capital assets:				
General plant equipment and facilities	1,434,234	10,504	(101,300)	1,343,438
Water treatment	5,596,650	11,542		5,608,192
Transmission and distribution	13,422,322			13,422,322
Auburn Lake Trails septic facilities	847,372			847,372
Source of supply	<u>6,676,273</u>	<u>82,179</u>		<u>6,758,452</u>
Total depreciable capital assets	<u>27,976,851</u>	<u>104,225</u>	<u>(101,300)</u>	<u>27,979,776</u>
Less: accumulated depreciation	<u>(15,737,878)</u>	<u>(666,093)</u>	<u>101,300</u>	<u>(16,302,671)</u>
Net depreciable capital assets	<u>12,238,973</u>	<u>(561,868)</u>		<u>11,677,105</u>
Net capital assets	<u>\$13,714,398</u>	<u>(\$406,509)</u>	<u>(\$11,945)</u>	<u>\$13,295,944</u>

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	\$ 638,715
Wastewater Disposal	<u>27,378</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 666,093</u>

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

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, 2012, 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 2012. The plan is being amortized over five years. Special studies completed or in progress as of June 30, 2014, consisted of the following:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
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	40,665			40,665
Total amortizable assets	<u>122,228</u>			<u>122,228</u>
Less: accumulated amortization	(94,601)	(27,627)		(122,228)
Unamortized Balance	<u>\$ 27,627</u>	<u>\$ (27,627)</u>	<u>\$ -</u>	<u>\$ -</u>

During the fiscal year ended June 30, 2014, the District wrote-off the remaining unamortized amount of the costs of the studies due to the lack of future benefit.

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 Position and totaled \$52,090 at June 30, 2014. It is anticipated that \$32,640 of these benefits will be used after June 30, 2015.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

Note 6: Long-Term Debt (Continued)

**B. Notes Payable**

Balance  
June 30, 2014

Department of Water Resources:

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

The Kelsey North Water Assessment District 1989-1 contract of \$630,000 is to be repaid by seventy 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%. Payments are made from assessments collected from the Assessment District.

\$ 331,786

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%. Payments are made from assessments collected from the Assessment District.

104,938

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%. Payments are made from assessments collected from the Assessment District.

261,762

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%.

334,262

Total Department of Water Resources Notes Payable

1,032,748

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.

18,153

Total Notes Payable

\$ 1,050,901

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

Note 6: Long-Term Debt (Continued)

**B. Notes Payable (Continued)**

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 79,584	\$ 30,922	\$ 110,506
2016	81,935	28,571	110,506
2017	84,490	26,016	110,506
2018	87,003	23,503	110,506
2019	85,101	20,866	105,967
2020-2024	391,687	62,980	454,667
2025-2029	215,996	17,076	233,072
2030	<u>25,105</u>	<u>423</u>	<u>25,528</u>
	<u>\$ 1,050,901</u>	<u>\$210,357</u>	<u>\$ 1,261,258</u>

**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, 2014 was \$57,080.

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 16,540	\$ 1,460	\$ 18,000
2016	17,034	966	18,000
2017	17,543	457	18,000
2018	<u>5,963</u>	<u>37</u>	<u>6,000</u>
	<u>\$ 57,080</u>	<u>\$ 2,920</u>	<u>\$ 60,000</u>

**D. CalPERS Side Fund**

During the 2005-06 fiscal year, the District was required to participate in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and the funded status of the District's plan, in addition to the existing unfunded liability. The outstanding balance at June 30, 2014 was \$1,428,539.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

Note 6: Long-Term Debt (Continued)

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

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Additions	Repayments	Balance at June 30, 2014	Due Within One Year
Notes payable	\$ 1,128,167	\$ -	\$ (77,266)	\$ 1,050,901	\$ 79,584
Post-employment benefits	244,319	198,999	(102,840)	340,478	
Capital lease	73,140		(16,060)	57,080	16,540
Compensated absences	114,403		(62,313)	52,090	32,640
CalPERS side fund liability	1,529,267		(100,728)	1,428,539	100,728
Total	<u>\$ 3,089,296</u>	<u>\$ 198,999</u>	<u>\$ (359,207)</u>	<u>\$ 2,929,088</u>	<u>\$ 229,492</u>

Note 7: Agency: Special Assessment Debt

The District acts as an agent for the Stewart Mine Road Water Assessment District 98-1 Bonds, issued on August 24, 1999. This debt was not included in the District's accounting records because the District had no obligation for the payment of these bonds other than in a fiduciary capacity. The principal amount outstanding at June 30, 2014 and June 30, 2013, was \$199,141 and \$203,720, 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, 2014 and June 30, 2013 was \$79,000 and \$113,000, 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.

## GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

### Notes to Basic Financial Statements June 30, 2014

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

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 Position

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 63. These captions apply only to net position, which are determined only at the government-wide level, proprietary funds, and fiduciary funds (trust funds only), and are described below.

Net Investment in Capital Assets

Investment in capital assets describes the portion of net position 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 Position Restrictions

Restricted net position consists of constraints placed on net position 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 position 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 position restricted for debt service is required by the debt agreements.

Unrestricted Net Position

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

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

Note 10: Net Position (Continued)

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

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

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

Hydroelectric: To provide for hydroelectric activities

Restricted and unrestricted net position is identified by use as follows as of June 30, 2014:

	<u>Water</u>	<u>Wastewater Disposal</u>	<u>Total</u>
Restricted Net Position:			
New Facilities:			
Water Development	\$ 396,225	\$ -	\$ 396,225
Stumpy Meadows Emergency Reserve	2,185,052		2,185,052
Capital Facility Charges	1,609,459		1,609,459
Short-lived Asset Replacement	759,715		759,715
C.D.S. Replacement		43,884	43,884
C.D.S. Expansion		<u>132,288</u>	<u>132,288</u>
Total New Facilities Net Position	<u>4,950,451</u>	<u>176,172</u>	<u>5,126,623</u>
Debt Service:			
State Revolving Fund	\$ 20,997	\$ -	\$ 20,997
Kelsey North	115,044		115,044
Kelsey South	203,369		203,369
Pilot Hill South	<u>135,984</u>		<u>135,984</u>
Total Debt Service Net Position	<u>475,394</u>		<u>475,394</u>
Total Restricted Net Position	<u>\$ 5,425,845</u>	<u>\$ 176,172</u>	<u>\$ 5,602,017</u>
Unrestricted Net Position:			
Unrestricted Designated Net Position:			
Retiree	\$ 233,673	\$ -	\$ 233,673
Georgetown/Buckeye	3		3
Garden Valley	106,817		106,817
Hydroelectric	<u>472,911</u>		<u>472,911</u>
Total Unrestricted Designated Net Position	<u>813,404</u>		<u>813,404</u>
Unrestricted Undesignated Net Position	<u>705,365</u>	<u>566,762</u>	<u>1,272,127</u>
Total Unrestricted Net Position	<u>\$ 1,518,769</u>	<u>\$ 566,762</u>	<u>\$ 2,085,531</u>

## GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

### Notes to Basic Financial Statements June 30, 2014

#### 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 2014 were \$134,475.

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, 2014 were 40.649%, 15.064%, and 6.25% 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 23.782% of the 40.649%. 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, 2014, 2013, and 2012, were \$219,792, \$297,326, and \$318,791, respectively, and equal 100% of the required contributions for each fiscal year.



# GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

## Notes to Basic Financial Statements June 30, 2014

### 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, 2014. 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 2013-14, the District paid \$102,840 for retiree benefits and received retiree contributions of \$37,795, for a net cost of \$65,045. Currently, there are 16 retirees who are receiving benefits. The District administers the plan described above and has accumulated \$561,651 in cash and investments for these benefits as of June 30, 2014. However, as the plan is not administered with an irrevocable trust, this amount cannot be considered for prefunding.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

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)	<u>161,204</u>
Contributions made	<u>(65,045)</u>
Increase in net OPEB obligation	96,159
Net OPEB obligation - beginning of fiscal year	<u>244,319</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 340,478</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013, and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation (Asset)
6/30/2012	\$ 161,204	49%	\$ 148,625
6/30/2013	161,204	41%	244,319
6/30/2014	161,204	41%	340,478

**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. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

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. 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: Commitments and Contingencies

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, 2012, 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.

At June 30, 2014, 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.

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Notes to Basic Financial Statements  
June 30, 2014**

Note 16: Commitments and Contingencies (Continued)

Compliance Order #01-09-04CO-002 was issued by the CA Dept. of Public Health on February 23, 2004, which required the District to provide surface water treatment that effectively reduces giardia cysts and viruses by 3 and 4 logs respectively, through filtration and disinfection at its Auburn Lake Trails Water Treatment Plant. Since then, regulations have added the requirement for the ALTWTP to effectively reduce cryptosporidium cysts by 2 logs. This later requirement is considered achieved when treatment requirements for giardia and viruses are being met. As of the date of these financial statements, the District is not in compliance with the Compliance Order. The ramifications of this non-compliance have not been determined, but may include possible fines and penalties.

Note 17: Subsequent Events

In preparing the accompanying financial statement, the District management has reviewed all known events that have occurred after June 30, 2014, and through March 2, 2015, 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, 2014**

Other Post-employment Benefits

Schedule of Funding Progress

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % 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**

**Restricted Plant Benefit Charges  
and Disclosures  
For the Fiscal Year Ended June 30, 2014**

	Water Development	Capital Facility Charges	Short-lived Asset Replacement	Community Disp. System Rep. Benefit	Comm. Disp. System Expan. Benefit	Total
Balance at June 30, 2013	\$ 393,273	\$ 1,593,836	\$ 758,414	\$ 43,809	\$ 132,210	\$ 2,921,542
Activity for fiscal year ended June 30, 2014:						
Sources:						
Interest earned	652	6,323	1,301	75	226	8,577
Restricted benefit charges	2,300	9,300				11,600
Total sources	2,952	15,623	1,301	75	226	20,177
Uses:						
CDS repairs					(148)	(148)
Total Uses					(148)	(148)
Balance at June 30, 2014	\$ 396,225	\$ 1,609,459	\$ 759,715	\$ 43,884	\$ 132,288	\$ 2,941,571