

*TRUCKEE SANITARY DISTRICT*

Financial Statements  
Supplementary Information  
&  
Independent Auditor's Report

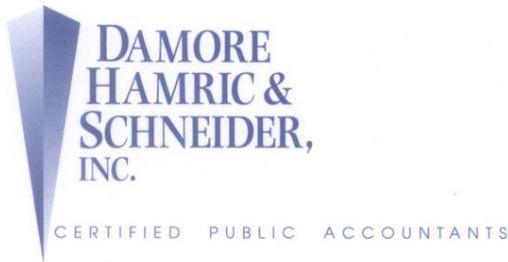
For the Fiscal Years Ended June 30, 2009 and 2008

Truckee Sanitary District

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June 30, 2009 and 2008

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Truckee Sanitary District  
Truckee, California

We have audited the accompanying financial statements of business-type activities of Truckee Sanitary District as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Truckee Sanitary District as of June 30, 2009 and 2008, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 C. to the financial statements, effective July 1, 2008, the District implemented the provisions of Government Accounting Standards Board (GASB) Statements No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

The Management's Discussion and Analysis and the Schedules of Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Damore, Hamric & Schneider Inc*  
DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

February 8, 2010

Truckee Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

The management of the Truckee Sanitary District (District) presents this Discussion to comply with the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34). The intent of this document is to provide easy-to-read information about the District's finances and to supplement the information presented in the District's financial statements for the year ended June 30, 2009 that follow.

Questions regarding this document or the Financial Statements should be directed to Mr. Tom Selfridge, General Manager, at:

Mail: 12304 Joerger Drive, Truckee, CA 96161  
Phone: 530-587-3804  
Fax: 530-587-1340  
Email: [tselfridge@truckeesan.org](mailto:tselfridge@truckeesan.org)

**ORGANIZATION AND BUSINESS**

The District was formed in 1906, making it one of the oldest special districts in California. Initial waste collection and treatment facilities serving portions of the Truckee area were constructed in 1908. Collection and treatment facilities expanded over time to keep up with the growth in the Truckee area. In 1978, the Tahoe-Truckee Sanitation Agency (T-TSA) completed construction of the first regional wastewater treatment plant, enabling the decommissioning of the District's pond treatment system. Today, treatment of Truckee's wastewater is accomplished at the T-TSA plant. The District's sole business function is the collection and conveyance of wastewater generated in the service area to the regional treatment facility.

The District's boundaries encompass an area of approximately thirty-eight square miles. The District serves about 10,400 equivalent family units and approximately 730 commercial accounts. Service is provided through about 350 miles of pipelines and 40 lift stations.

The District is governed by a five person Board of Directors elected at large for staggered four-year terms. The Board of Directors set policy and procedures, which are then administered by the General Manager. The District currently has 37 full-time employees.

The Board of Directors sets all financial policies for the District. This includes establishing the annual budget for income and expenses, setting rates and charges, and directing the investment of District reserve funds. The Board has established a Finance Committee which reviews all payables and makes recommendations to the full Board for approval of payables.

Truckee Sanitary District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

The General Manager serves as District Treasurer.

### **FINANCIAL HIGHLIGHTS**

The District's Total Net Assets increased by \$7,224,885 (12%) from the prior fiscal year.

The District's Restricted and Unrestricted Net Assets increased by 1% (\$143,821) from FY 08 to FY 09.

District Operating Revenue (comprised primarily of Service Charges) increased by less than 1% when compared to FY 08.

District Non-Operating Revenue (comprised primarily of Property Taxes) increased by 3% when compared to FY 08.

District Operating Expenses increased by 3% when compared to FY 08.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This annual report includes this Management's Discussion and Analysis Report, the Independent Auditor's Report, and the District's financial statements. The financial statements include notes that explain many of the District's accounting policies and other financial information that supports the statements. Our auditors assisted us in preparing the financial statements and footnotes.

### **FINANCIAL STATEMENTS**

The financial statements provide short-term and long-term financial information about the District in tables as follows:

Statements of Net Assets - This table reports the District's current financial position and includes information on the nature and amount of resources and obligations at year-end.

Statements of Revenues, Expenses and Changes in Net Assets - This table reports the District's Operating and Non-Operating Revenues, Operating Expenses, and Capital Contributions for Fiscal Years 2009 and 2008. The table also shows the change in Net Assets from the beginning to end of each of those Fiscal Years.

Statements of Cash Flows - This table reports cash flow activities from operations, capital and non-capital financing, and investing.

Truckee Sanitary District

Management's Discussion and Analysis

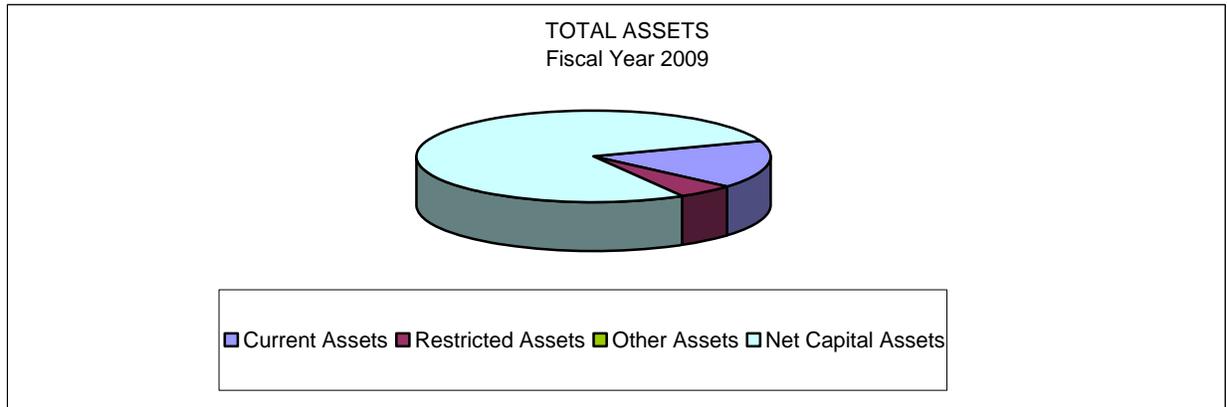
For the Fiscal Year Ended June 30, 2009

Statements of Net Assets:

The following table shows the Condensed Statement of Net Assets for the District for the fiscal year ended June 30, 2009:

Condensed Statement of Net Assets as of June 30, 2009 and 2008

	Fiscal Year 2009	Fiscal Year 2008	Difference \$	Difference %
Current Assets	\$ 11,478,883	\$ 7,589,418	\$ 3,889,465	51%
Restricted Assets	3,582,863	7,695,320	( 4,112,457)	-53%
Other Assets	107,440	143,530	( 36,090)	-25%
Net Capital Assets	52,960,610	45,879,576	7,081,034	15%
<b>Total Assets</b>	<b>\$ 68,129,796</b>	<b>\$ 61,307,844</b>	<b>\$ 6,821,952</b>	<b>11%</b>
Current Liabilities (payable from Current Assets)	\$ 1,179,176	\$ 1,308,073	(\$ 128,897)	-10%
Current Liabilities (payable from Restricted Assets)	679,912	960,020	( 280,108)	-29%
Non-Current Liabilities	624,871	618,769	6,102	1%
<b>Total Liabilities</b>	<b>\$ 2,483,959</b>	<b>\$ 2,886,862</b>	<b>(\$ 402,903)</b>	<b>-14%</b>
<u>Net Assets:</u>				
Invested in Capital Assets, net of related debt	\$ 52,960,610	\$ 45,879,576	\$ 7,081,034	15%
Restricted	2,252,307	6,116,531	( 3,864,224)	-63%
Unrestricted	10,432,920	6,424,875	4,008,045	62%
<b>Total Net Assets</b>	<b>\$ 65,645,837</b>	<b>\$ 58,420,982</b>	<b>\$ 7,224,855</b>	<b>12%</b>



Truckee Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Statements of Net Assets (Continued):

The table shows the District's Total Net Assets were \$65,645,837 as of June 30, 2009. This represents an increase of \$7,224,855 from the close of the previous fiscal year. The increase can be attributed to the capital assets (sewer facilities) dedicated to the District by private developers during the fiscal year. The Truckee area continues to experience significant growth, although at a slower pace than the past few years. This growth resulted in the installation (and subsequent dedication to the District) of new infrastructure to serve that growth.

The District's Total Net Assets are categorized in three ways: 1) net capital assets, 2) restricted assets, and 3) unrestricted assets. Net capital assets represent the net book value (cost less accumulated depreciation) of assets having an initial cost of \$1,000 or more, and an estimated useful life in excess of 1 year. Capital assets include gravity pipelines, pump stations and force mains, operations and maintenance facilities, administrative facilities, and rolling stock.

Net assets subject to legal restrictions are shown as restricted net assets, and include reserves for capacity expansion (funded by connection fees), maintenance and reconstruction of the Martis Valley Interceptor pipeline, and funds that must be used for qualified capital outlay projects greater than \$100,000.

Unrestricted net assets are not legally designated for specific uses. However, the Board has by policy designated a substantial portion (\$3,547,029) of the unrestricted net assets for construction and acquisition of capital assets not related to capacity expansion. The District maintains a five year capital improvement plan that is funded by the designated portion of the unrestricted net assets. Projects in this plan are required to ensure the District continues to meet its mandate of conveying wastewater to the regional treatment facility. Projects typically involve the repair or replacement of existing facilities.

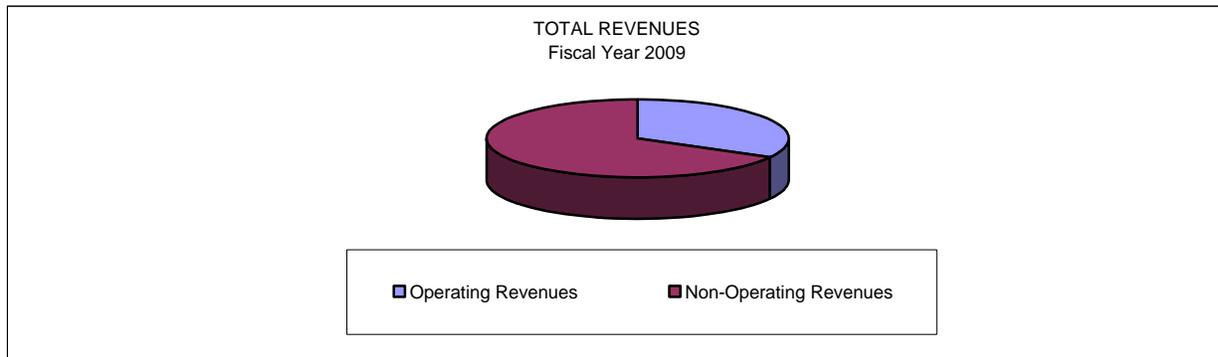
Truckee Sanitary District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

Statements of Revenues, Expenses and Changes in Net Assets:

The condensed statements, in the following table, summarize the financial activity for the fiscal year ended June 30, 2009:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets as of June 30, 2009 and 2008

	Fiscal Year 2009	Fiscal Year 2008	Difference \$	Difference %
Operating Revenues	\$ 2,562,620	\$ 2,557,606	\$ 5,014	0%
Non-Operating Revenues	<u>5,210,199</u>	<u>5,045,398</u>	<u>164,801</u>	3%
Total Revenues	<u>\$ 7,772,819</u>	<u>\$ 7,603,004</u>	<u>\$ 169,815</u>	2%
Operating Expenses	<u>\$ 8,058,307</u>	<u>\$ 7,832,167</u>	<u>\$ 226,140</u>	3%
Total Expenses	<u>\$ 8,058,307</u>	<u>\$ 7,832,167</u>	<u>\$ 226,140</u>	3%
Income (Loss) Before Capital Contributions	(\$ 285,488)	(\$ 229,163)	(\$ 56,325)	25%
Capital Contributions	<u>7,510,343</u>	<u>6,077,146</u>	<u>1,433,197</u>	24%
Change in Net Assets	<u>\$ 7,224,855</u>	<u>\$ 5,847,983</u>	<u>\$ 1,376,872</u>	24%



District revenues are broken down into two categories. Operating revenues include service charges, inspection and other fees, and revenue from other services. Non-operating revenues include property taxes, interest, rents and leases, disposal of capital assets, and other revenue.

Service charges account for most (95%) of the District's Operating Revenues. In FY 09, the District received \$2,423,137 in service charge revenue, up 2% from FY 08. Service charge revenue continues to increase each year, even though the District has not increased the service charge rate since 1986.

Truckee Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Statements of Revenues, Expenses and Changes in Net Assets (Continued):

Growth in the service area accounts for the increased service charge revenue. Similarly, property taxes account for most (84%) of the District's Non-Operating Revenue. In FY 09, the District received \$4,371,108 in property tax revenue, up about 4% from the previous fiscal year.

Operating expenses were \$8,058,307 in FY 09, up about 3% from the previous fiscal year. Most of this increase is attributed to the District's compliance with the Governmental Accounting Standards Board Statement No. 18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (GASB 18). GASB 18 requires recognition of projected landfill remediation expenses with the estimated cost recorded on the District's financial statements for remediation of the Truckee Regional Park Burn Dump (\$1,354,000). Additionally, salaries and payroll related expense for insurance, tax revenue collections fees, and additional operations staffing are the normal General Fund expenses contributing to the overall increase from FY 08 levels.

Statements of Cash Flows:

The following table presents the Condensed Statement of Cash Flows for the fiscal year ended June 30, 2009:

Condensed Statement of Cash Flows as of June 30, 2009 and 2008

	Fiscal Year 2009	Fiscal Year 2008	Difference \$	Difference %
Net Cash Used by Operating Activities	(\$ 3,875,073)	(\$ 2,817,511)	(\$ 1,057,562)	38%
Net Cash Provided by Non-Capital Financing Activities	4,252,803	4,276,642	( 23,839)	-1%
Net Cash Used by Capital & Related Activities	( 1,314,252)	( 810,045)	( 504,207)	62%
Net Cash Provided by Investing Activities	355,768	625,269	( 269,501)	-43%
Net Increase in Cash and Cash Equivalents	(\$ 580,754)	\$ 1,274,355	(\$ 1,855,109)	-146%
Cash and Cash Equivalents, Beginning of Year	14,535,864	13,261,509	1,274,355	10%
Cash and Cash Equivalents, End of Year	\$ 13,955,110	\$ 14,535,864	(\$ 580,754)	-4%

The table shows the District's cash position declined \$580,754 from the beginning of the year to the end of the year of FY 09. This decrease is 146% less than the gain in cash during FY 08. The main contributions to the FY 09 net decrease in cash are from reduced development activity within the District and lower investment yields. The main increases in the use of cash from FY 08 to FY 09 are from additional staffing and professional services fees for remediation of the landfill. The District was awarded a matching grant (\$645,000) from the California Integrated Waste Management Board to assist with landfill remediation costs. The District will receive reimbursements for some of the FY 09 costs in FY 10.

Truckee Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Statements of Cash Flows (Continued):

Capital expenditures in FY 09 include a pickup with snow plow, a loader, mini-excavator, closed circuit television equipment, and completion of the new Computerized Maintenance Management System.

The District ended the fiscal year with \$13,955,110 in cash and cash equivalents. A significant portion of these funds are invested in the Local Agency Investment Fund managed by the California State Treasurer's Office.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

As of June 30, 2009, the District's total investment in capital assets was \$78,054,534 including \$1,383,850 in non-depreciable assets (land and easements, construction in progress), and \$76,670,684 in depreciable assets (sewage collection and conveyance facilities, administrative facilities, general plant, and administrative equipment). Total depreciation on those assets of \$25,093,924 resulted in net capital assets as of June 30, 2009 of \$52,960,610. As described earlier, the District's net capital assets increased by \$7,081,034 during FY 09. This is due to an increase in the number of major private developments completing projects and dedicating sewer conveyance facilities to the District during the fiscal year. The District continues to be debt-free, thus no debt-related activities are reported in the financial statements.

**BUDGET ANALYSIS**

The District prepares an annual budget for operating and capital activities each year. The final budget is typically adopted by the Board of Directors in May or June each year. The following table summarizes budget and actual income/expenses for FY 09:

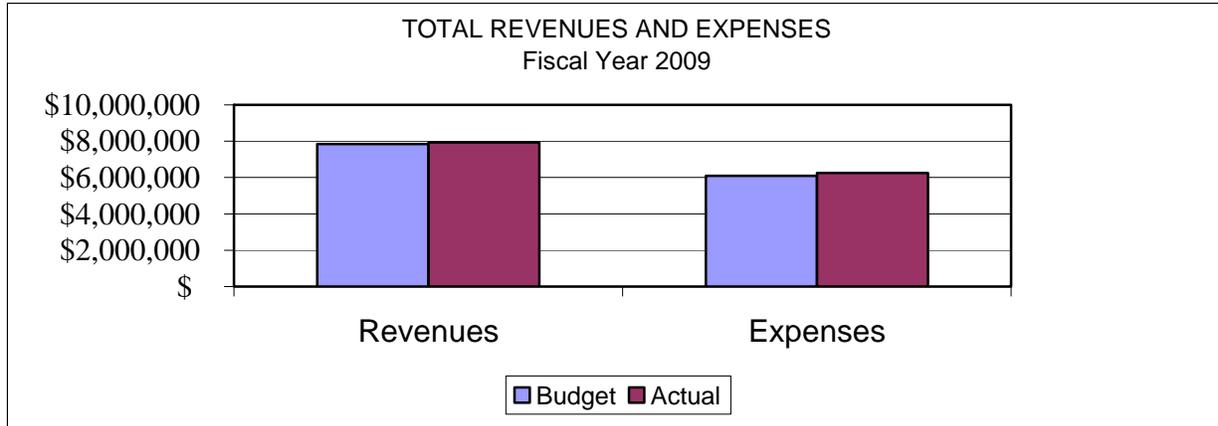
	Summary of Fiscal Year 2009 Budget			
	FY 09 Budget	FY 09 Actual	Budget to Actual	
			\$	%
Revenues	\$ 7,850,600	\$ 7,931,506	\$ 80,906	101%
<u>Expenses:</u>				
Administrative & General	\$ 2,293,800	\$ 2,071,513	\$ 222,287	90%
Operation & Maintenance	3,794,300	4,181,868	( 387,568)	110%
Total Expenses	\$ 6,088,100	\$ 6,253,381	(\$ 165,281)	103%
Excess Revenue Over Expenses	\$ 1,762,500	\$ 1,678,125	(\$ 84,375)	95%

Truckee Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

**BUDGET ANALYSIS (Continued)**



The table shows the District received \$80,906 more in revenue than anticipated in the final FY 09 budget. The main revenue source providing most of the increase is Inspection Fees (\$62,830) were more than budgeted as a result of more development projects being completed than anticipated.

Total expenses exceeded the final budget by 3%.

**ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS**

The District's overall financial outlook continues to be positive during a time when the region and the state are struggling economically. The District's main cash flows, property tax and user fee revenues, are stable sources of income. The District continues to grow, which generates service charge revenue and connection fees. Although real estate and development activities have slowed the pace of growth in FY 09 compared to FY 08, the District service area is an attractive place for second-home purchases and has a significant number of custom-built vacation homes and estates. The FY 10 budget, adopted by the Board of Directors in June, 2009, anticipates receipt of \$7,254,500 in total revenue, a decrease of 9% over FY 09 actual income. The District expects reduced income earnings in FY 10 for activities related to land development services and inspections since building-related activity has decreased substantially. Property tax revenue is expected to remain the same and interest earnings are estimated decrease to half of what was received in FY 09.

The FY 10 budget shows \$6,028,600 in planned general fund expenditures, a decrease of 4% from last year's actual expenditures. Budgeted expenses have decreased from FY 09 to FY 10 primarily because of completion of the landfill remediation project and no cost of living adjustments to salaries in FY 10.

Truckee Sanitary District

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

ASSETS

<u>Current Assets:</u>	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	\$ 10,802,949	\$ 6,861,070
Accrued Interest Receivable	43,349	96,171
Accounts Receivable	230,954	228,650
Taxes Receivable	221,359	220,421
Parts and Supplies Inventory	161,828	168,357
Prepaid Expense	<u>18,444</u>	<u>14,749</u>
Total Current Assets	<u>\$ 11,478,883</u>	<u>\$ 7,589,418</u>
 <u>Restricted Assets:</u>		
Cash and Cash Equivalents	\$ 3,152,161	\$ 7,674,794
Accounts Receivable	419,773	
Accrued Interest Receivable	<u>10,929</u>	<u>20,526</u>
Total Restricted Assets	<u>\$ 3,582,863</u>	<u>\$ 7,695,320</u>
 <u>Other Assets:</u>		
Assessments Receivable - Sierra Meadows	<u>\$ 107,440</u>	<u>\$ 143,530</u>
Total Other Assets	<u>\$ 107,440</u>	<u>\$ 143,530</u>
Net Capital Assets	<u>\$ 52,960,610</u>	<u>\$ 45,879,576</u>
Total Assets	<u><u>\$ 68,129,796</u></u>	<u><u>\$ 61,307,844</u></u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District  
STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

LIABILITIES & NET ASSETS

<u>Current Liabilities (Payable from Current Assets):</u>	<u>2009</u>	<u>2008</u>
Accounts Payable	\$ 204,077	\$ 83,743
Contract Retentions Payable	14,939	
Accrued Payroll Deductions	100,976	100,982
Compensated Absences Payable	594,619	555,925
Customer Deposits	<u>264,565</u>	<u>567,423</u>
Total Current Liabilities (Payable from Current Assets)	<u>\$ 1,179,176</u>	<u>\$ 1,308,073</u>
 <u>Current Liabilities (Payable from Restricted Assets):</u>		
Accounts Payable	\$ 616,156	\$ 960,020
Contract Retentions Payable	<u>63,756</u>	
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 679,912</u>	<u>\$ 960,020</u>
Total Current Liabilities	<u>\$ 1,859,088</u>	<u>\$ 2,268,093</u>
 <u>Noncurrent Liabilities:</u>		
Trust Fund Payable - Sewer Assessment Districts Maintenance Fund	<u>\$ 624,871</u>	<u>\$ 618,769</u>
Total Liabilities	<u>\$ 2,483,959</u>	<u>\$ 2,886,862</u>
 <u>Net Assets:</u>		
Invested in Capital Assets	\$ 52,960,610	\$ 45,879,576
Restricted for Martis Valley Interceptor Maintenance	219,014	214,264
Restricted for Capital Expense	2,033,293	1,906,599
Restricted for Qualified Capital Outlay		3,995,668
Unrestricted	<u>10,432,920</u>	<u>6,424,875</u>
Total Net Assets	<u>\$ 65,645,837</u>	<u>\$ 58,420,982</u>
Total Liabilities & Net Assets	<u><u>\$ 68,129,796</u></u>	<u><u>\$ 61,307,844</u></u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Years Ended June 30, 2009 and 2008

<u>Operating Revenues:</u>	<u>2009</u>	<u>2008</u>
Service Charges	\$ 2,423,137	\$ 2,373,806
Inspection and Cancellation Fees	122,830	129,323
Other Services	<u>16,653</u>	<u>54,477</u>
Total Operating Revenues	<u>\$ 2,562,620</u>	<u>\$ 2,557,606</u>
<u>Operating Expenses:</u>		
Operations and Maintenance	\$ 4,181,868	\$ 3,897,941
Administrative and General	2,071,513	2,295,344
Depreciation	<u>1,804,926</u>	<u>1,638,882</u>
Total Operating Expenses	<u>\$ 8,058,307</u>	<u>\$ 7,832,167</u>
Operating Loss	<u>(\$ 5,495,687)</u>	<u>(\$ 5,274,561)</u>
<u>Non-Operating Revenues:</u>		
Tax Revenue	\$ 4,371,108	\$ 4,220,831
Interest Earned	293,349	563,772
Rents and Leases	9,498	8,685
Gain on Disposal of Capital Assets	11,676	11,433
Other Revenue	<u>524,568</u>	<u>240,677</u>
Total Non-Operating Revenue	<u>\$ 5,210,199</u>	<u>\$ 5,045,398</u>
Net Loss before Contributions	<u>(\$ 285,488)</u>	<u>(\$ 229,163)</u>
<u>Capital Contributions:</u>		
Dedicated Land and Improvements	\$ 7,339,980	\$ 5,855,456
Connection Fees	<u>170,363</u>	<u>221,690</u>
Change in Net Assets	<u>\$ 7,510,343</u>	<u>\$ 6,077,146</u>
Net Assets, Beginning of Year	<u>58,420,982</u>	<u>52,572,999</u>
Net Assets, End of Year	<u>\$ 65,645,837</u>	<u>\$ 58,420,982</u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2009 and 2008

<u>Cash Flows From Operating Activities:</u>	<u>2009</u>	<u>2008</u>
Receipts from Customers	\$ 2,560,316	\$ 2,586,171
Payments to Suppliers	( 3,405,031)	( 2,728,324)
Payments to Employees	( 3,014,388)	( 2,660,533)
Other Payments	( 15,970)	( 14,825)
Net Cash Used by Operating Activities	( <u>\$ 3,875,073</u> )	( <u>\$ 2,817,511</u> )
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Taxes Collected	\$ 4,370,170	\$ 4,215,320
Decrease in Customer Deposits	( 302,858)	( 204,005)
Other Non-Operating Revenues	179,389	249,362
Increase in Trust Funds Payable	<u>6,102</u>	<u>15,965</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 4,252,803</u>	<u>\$ 4,276,642</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Capital Contributions	\$ 170,363	\$ 221,690
Acquisition of Capital Assets	( 1,533,382)	( 1,083,762)
Proceeds from Sierra Meadows Assessments	36,090	35,512
Proceeds from Sale of Capital Assets	<u>12,677</u>	<u>16,515</u>
Net Cash Used by Capital and Related Financing Activities	( <u>\$ 1,314,252</u> )	( <u>\$ 810,045</u> )
<u>Cash Flows From Investing Activities:</u>		
Interest Received on Investments	<u>\$ 355,768</u>	<u>\$ 625,269</u>
Net Cash Provided by Investing Activities	<u>\$ 355,768</u>	<u>\$ 625,269</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	( <u>\$ 580,754</u> )	<u>\$ 1,274,355</u>
Cash and Cash Equivalents, Beginning of Year	<u>14,535,864</u>	<u>13,261,509</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 13,955,110</u></u>	<u><u>\$ 14,535,864</u></u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2009 and 2008

<u>Cash and Cash Equivalents Classified in the Balance Sheet:</u>	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents:		
Unrestricted	\$ 10,802,949	\$ 6,861,070
Restricted	<u>3,152,161</u>	<u>7,674,794</u>
	<u>\$ 13,955,110</u>	<u>\$ 14,535,864</u>
 <u>Reconciliation of Operating Loss</u>		
<u>to Net Cash Used by Operating Activities:</u>		
Operating Loss	(\$ 5,495,687)	(\$ 5,274,561)
 Adjustments to Reconcile Operating Loss		
to Net Cash Used for Operating Activities:		
Depreciation	\$ 1,804,926	\$ 1,638,882
(Increase) Decrease in:		
Accounts Receivable	( 2,304)	28,565
Inventories	6,529	( 14,515)
Prepaid Expenses	( 3,695)	( 3,876)
Increase (Decrease) in:		
Accounts Payable	( 223,530)	727,202
Accrued Compensated Absences	38,694	50,214
Accrued Payroll Deductions	<u>( 6)</u>	<u>30,578</u>
Total Adjustments	<u>\$ 1,620,614</u>	<u>\$ 2,457,050</u>
Net Cash Used by Operating Activities	<u>(\$ 3,875,073)</u>	<u>(\$ 2,817,511)</u>
 <u>Noncash Transactions:</u>		
 <u>Capital Contributed by Developers, Customers,</u>		
<u>Town of Truckee, and the State of California:</u>		
Contributions of Capital to the District	\$ 7,510,343	\$ 6,077,145
Less - Contributions of Land and Improvements	<u>( 7,339,980)</u>	<u>( 5,855,455)</u>
Cash from Contributions	<u>\$ 170,363</u>	<u>\$ 221,690</u>
Acquisition of Capital Assets	(\$ 1,597,138)	(\$ 1,043,301)
Increase/(Decrease) in Retentions Payable	<u>63,756</u>	<u>( 40,461)</u>
Cash Used for Capital Asset Acquisitions	<u>(\$ 1,533,382)</u>	<u>(\$ 1,083,762)</u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Truckee Sanitary District conform to generally accepted accounting principles as applied to governmental units. The following is a summary of significant policies:

A. Organization & Description of the District:

The Truckee Sanitary District (District) was formed in 1906, and has provided sanitary services to the community of Truckee since 1908. The District operates under the Sanitary District Act of 1923, and is governed by rules and laws set forth in the Health and Safety Code of the State of California.

B. Description of the Reporting Entity:

The District is governed locally by a five-member elected Board of Directors. The Board is responsible for setting policy and general administrative procedures for the District. The policies and procedures set by the Board are then administered by the General Manager of the District.

C. Accounting Policies:

The accounting policies of the District conform with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The Enterprise fund applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Accounting Policies (Continued):

***New Pronouncements*** - Effective July 1, 2008 the District implemented the following accounting and financial reporting standards:

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures - an amendment of GASB Statements 25 and 27*, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances information disclosed in the notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. This Statement amends Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Accounting Policies (Continued):

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following GASB Statement:

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 establishes standards for accounting and financial reporting for intangible assets. It requires that an intangible asset be recognized in the Statement of Net Assets only if it is identifiable. Additionally, this Statement; establishes a specific-conditions approach to recognizing intangible assets that are internally generated, provides guidance on recognizing internally generated software as an intangible asset and amortization including guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. The provisions of this Statement generally are required to be applied retroactively for intangible assets acquired in fiscal years ending after June 30, 1980. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2010.

D. Financial Statements Presentation - Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather,

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Financial Statements Presentation (Continued):

that portion of the debt is included in the same net assets component as the unspent proceeds. The District had no related debt of as of June 30, 2009 and 2008 respectively.

- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

E. Budgetary Control:

The Board adopts an operating budget at the beginning of each year.

F. Use of Estimates:

Preparation of financial statements in conformity with generally accepted accounting principles 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.

G. Cash, Certificates of Deposit & Savings:

Deposits of the District are located at various financial institutions within the state and are recorded at cost. (See Note 2A for additional disclosure of District deposits.)

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

H. Investments:

Investments in equity securities with readily determinable fair values, external investment pools, open-end mutual funds, and debt securities are valued at their fair values in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net assets. (See Note 2B for additional disclosure of District investments.)

I. Accounts Receivable:

The accounts receivable consist of charges for service and connection fees. User fees and delinquent connection fees are sent to the respective counties annually to be placed on the tax rolls for collection. Therefore, no allowance for uncollectible fees is provided.

J. Inventories:

Inventories are stated at the lower of cost (using the first-in first-out basis) or market value. Market value is determined by comparison with recent purchases or realizable value.

K. Capital Assets:

Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or more with an estimated useful life in excess of one year.

Capital assets are stated at cost, less accumulated depreciation and amortization computed by the straight-line method. Estimated useful lives are as follows:

Land and Easements	N/A
Construction in Progress	N/A
General and Administrative:	
Office Equipment, Furnishings	3 - 10
Office Building	30

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

K. Capital Assets (Continued):

Sewage Collection Facilities:

Automotive	5 - 10
Instruments	5 - 10
Other Equipment	3 - 10
Trunk Lines, Manholes, Meters	50
Outfall Lines	75
Structures	40
Pump Stations	20
Lift Stations	30
Maintenance Building	50

Depreciation on the cost or value of contributed assets is included in operating expenses in arriving at net income.

Repairs and Maintenance - Repairs and maintenance expenditures are charged to expense as incurred and major renewals and betterments are capitalized.

L. Compensated Absences:

The District accrues a liability for unpaid vacation, compensatory time and sick pay. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is eligible for payment at termination or retirement. As of June 30, 2009 and 2008, accrued vacation and vested sick leave benefits totaled \$594,619 and \$555,925, respectively.

M. Revenue Recognition - Property Taxes:

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on November 1 and February 1 and are due and payable at that time.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Operating/Non-Operating Revenue and Expenses:

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

O. Restricted Net Assets:

Legally segregated net assets are recorded as restricted. The District has the following restricted net assets:

Capital Expense - This reserve consists of connection fees and the earnings thereon and is restricted for the acquisition and/or construction of sewer infrastructure necessary to increase capacity for service.

Martis Valley Interceptor Fund - This reserve ensures that Martis Valley Interceptor fees collected are used to provide adequate maintenance and reconstruction of the section of pipeline called Martis Valley Interceptor.

Qualified Capital Outlay - This reserve consists of transfers of property tax revenue in excess of the District's appropriation limit that can be used for qualified capital expenditures that cost in excess of \$100,000 and have useful lives in excess of ten years.

In fiscal year 2009, the District requested and received a legal opinion as to the applicability of the Appropriations Limit as specified in Article XIII B of the state constitution and ad valorem property tax. Based on the opinion, the District's share of the state's one percent (1%) ad valorem property tax collected and passed through by the counties was not an "appropriation subject to limitation." Therefore, taxes received in excess of the appropriations limit were not required to be transferred to the qualified capital outlay reserve. Subsequent to the opinion, the District transferred the balance of the qualified capital outlay reserve to the board

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

O. Restricted Net Assets (Continued):

designated major improvements reserve, a component of unrestricted assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

P. Board Designated Net Assets:

The District has designated a portion of the unrestricted net assets for major improvements. This reserve was established to segregate excess administrative, maintenance, and operation funds to be used for the construction and acquisition of capital assets. The balance of the reserve as of June 30, 2009 and 2008 was \$3,547,029 and \$1,770,375, respectively.

Q. Pension Plan:

The District sponsors an agent multiple-employer pension plan which covers all eligible full-time and part-time employees. For more information about the pension plan see Note 5.

R. Other Post-Employment Benefits Plan:

The District sponsors a prefunding benefits plan for other post-employment benefits. The plan covers all eligible full-time and part-time employees. For information about the benefits plan see Note 6.

S. Medical Benefits:

The District is contracted with CalPERS for medical and prescription coverage to provide active and retiree health benefit services. The plan rules are in accordance with the Board of Directors' resolutions and subject to the Public Employees' Medical and Hospital Care Act (PEMHCA).

T Reclassifications:

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS:

A. Deposits and 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 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 requires California banks and savings and loans to 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. The market value of pledged securities in the collateral pool must equal at least 110% of the District's carrying value of the deposits (demand deposits and certificates of deposit).

At June 30, 2009 and 2008, the carrying amounts of the District's deposits were \$11,459 and \$53,281, respectively. The bank balances were \$24,544 and \$80,221, respectively. The District's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) subject to certain limits. At June 30, 2009, and 2008 the FDIC insurance limit was not exceeded.

B. Investments:

Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities within the State, State Treasury, bankers' acceptances, and commercial paper of the highest ranking provided by Moody's Investors Service, Inc., or Standard & Poor's Corporation, repurchase or reverse repurchase agreements, and the State's Local District Investment Fund (LAIF).

The investment policy set by the directors of the District is more conservative than that set by state statute. The policy allows the District's treasurer to invest in U.S. Treasury Securities and the LAIF. These investments are included in cash as cash equivalents and are stated at fair value.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued):

B. Investments (Continued):

Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, the District had the following investments:

	2009		2008	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	<u>\$ 13,943,102</u>	<u>\$ 13,961,294</u>	<u>\$ 14,482,033</u>	<u>\$ 14,481,312</u>

Structured notes and asset backed securities comprise 14.71% of LAIF's total portfolio for all investors (Fair value of a pool share is 1.001304743. Cost value of a pool share is 1.00).

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in LAIF has not been rated by a nationally recognized statistical organization.

The District's LAIF investment is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The District is a voluntary participant in the investment pool.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued):

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2009</u>	<u>2008</u>
Cash on Hand	\$ 550	\$ 550
Cash Deposits	11,458	53,281
Investments	<u>13,943,102</u>	<u>14,482,033</u>
	<u>\$ 13,955,110</u>	<u>\$ 14,535,864</u>

Balance Sheet Classification:

Cash and Cash Equivalents:		
Unrestricted (1)	\$ 10,802,949	\$ 6,861,070
Restricted	<u>3,152,161</u>	<u>7,674,794</u>
	<u>\$ 13,955,110</u>	<u>\$ 14,535,864</u>

(1) The Designated portion of unrestricted cash (see Note 1P) is \$3,547,029 and \$1,770,375 for 2009 and 2008, respectively.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 3 RESTRICTED ASSETS:

Restricted and designated assets and related current liabilities as of June 30, 2009 are identified by use as follows:

	Qualified Capital Outlay	Sewer Assessment District 5 Maintenance Fund	Capital Expenses	Martis Valley Interceptor	Landfill Cleanup	Total
<u>Restricted Assets:</u>						
Cash and Cash Equivalents	\$	\$ 622,503	\$ 2,025,556	\$ 218,190	\$ 285,912	\$ 3,152,161
Accounts Receivable					419,773	419,773
Accrued Interest Receivable		2,368	7,737	824		10,929
Total Restricted Assets	<u>\$</u>	<u>\$ 624,871</u>	<u>\$ 2,033,293</u>	<u>\$ 219,014</u>	<u>\$ 705,685</u>	<u>\$ 3,582,863</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>						
Accounts Payable	\$	\$	\$	\$	\$ 616,156	\$ 616,156
Contract Retentions Payable					63,756	63,756
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 679,912</u>	<u>\$ 679,912</u>

Restricted and designated assets and related current liabilities as of June 30, 2008 are identified by use as follows:

	Qualified Capital Outlay	Sewer Assessment District 5 Maintenance Fund	Capital Expenses	Martis Valley Interceptor	Landfill Cleanup	Total
<u>Restricted Assets:</u>						
Cash and Cash Equivalents	\$ 3,995,668	\$ 614,069	\$ 1,892,421	\$ 212,636	\$ 960,000	\$ 7,674,794
Accrued Interest Receivable		4,700	14,198	1,628		20,526
Total Restricted Assets	<u>\$ 3,995,668</u>	<u>\$ 618,769</u>	<u>\$ 1,906,619</u>	<u>\$ 214,264</u>	<u>\$ 960,000</u>	<u>\$ 7,695,320</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>						
Accounts Payable	\$	\$	\$ 20	\$	\$ 960,000	\$ 960,020
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20</u>	<u>\$ 0</u>	<u>\$ 960,000</u>	<u>\$ 960,020</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 4 CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated:</u>				
Land and Easements	\$ 578,599			\$ 578,599
Construction In Progress	700,527	1,299,760	1,195,036	805,251
Total Capital Assets not being Depreciated	<u>\$ 1,279,126</u>	<u>\$ 1,299,760</u>	<u>\$ 1,195,036</u>	<u>\$ 1,383,850</u>
<u>Capital Assets being Depreciated:</u>				
Sewage Collection Facilities	\$ 57,753,126	\$ 8,220,297		\$ 65,973,423
Administrative Facilities	6,686,806	28,042		6,714,848
General Plant and Administrative Equipment	3,624,967	534,398	176,952	3,982,413
Total Capital Assets being Depreciated	<u>\$ 68,064,899</u>	<u>\$ 8,782,737</u>	<u>\$ 176,952</u>	<u>\$ 76,670,684</u>
Less Accumulated Depreciation for:				
Sewage Collection Facilities	\$ 18,919,292	\$ 1,371,323		\$ 20,290,615
Administrative Facilities	2,033,131	201,896		2,235,027
General Plant and Administrative Equipment	2,512,026	231,707	175,451	2,568,282
Total Depreciation	<u>\$ 23,464,449</u>	<u>\$ 1,804,926</u>	<u>\$ 175,451</u>	<u>\$ 25,093,924</u>
Net Capital Assets	<u>\$ 45,879,576</u>	<u>\$ 8,277,571</u>	<u>\$ 1,196,537</u>	<u>\$ 52,960,610</u>

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated:</u>				
Land and Easements	\$ 575,277	\$ 3,322	\$	\$ 578,599
Construction In Progress	701,956	880,191	881,620	700,527
Total Capital Assets not being Depreciated	<u>\$ 1,277,233</u>	<u>\$ 883,513</u>	<u>\$ 881,620</u>	<u>\$ 1,279,126</u>
<u>Capital Assets being Depreciated:</u>				
Sewage Collection Facilities	\$ 51,392,043	\$ 6,361,083	\$	\$ 57,753,126
Administrative Facilities	6,638,098	48,708		6,686,806
General Plant and Administrative Equipment	3,256,788	488,229	120,050	3,624,967
Total Capital Assets being Depreciated	<u>\$ 61,286,929</u>	<u>\$ 6,898,020</u>	<u>\$ 120,050</u>	<u>\$ 68,064,899</u>
Less Accumulated Depreciation for:				
Sewage Collection Facilities	\$ 17,707,554	\$ 1,211,738		\$ 18,919,292
Administrative Facilities	1,836,937	196,194		2,033,131
General Plant and Administrative Equipment	2,394,888	230,950	113,812	2,512,026
Total Depreciation	<u>\$ 21,939,379</u>	<u>\$ 1,638,882</u>	<u>\$ 113,812</u>	<u>\$ 23,464,449</u>
Net Capital Assets	<u>\$ 40,624,783</u>	<u>\$ 6,142,651</u>	<u>\$ 887,858</u>	<u>\$ 45,879,576</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 5 PENSION PLAN:

Plan Description - The Truckee Sanitary District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The miscellaneous plan (plan) is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes 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 (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy - Active members in the plan were required to contribute 8% of their annual covered salary for fiscal years 2009 and 2008. The District pays the members' required contribution. The District is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate was 17.070% and 17.663% for fiscal years 2009 and 2008, respectively. 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.

Annual Pension Cost - For fiscal years 2009 and 2008, the District's annual pension costs were \$799,644 and \$704,391, respectively and were equal to the District's required and actual contributions.

Three-year Trend Information for Truckee Sanitary District's  
Defined Benefit Pension Plan:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2007	\$ 659,649	100%	\$ 0
6/30/2008	\$ 704,391	100%	\$ 0
6/30/2009	\$ 799,644	100%	\$ 0

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 5 PENSION PLAN (Continued):

The required contribution for fiscal year 2009 was determined as part of the June 30, 2006 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% depending on age, service and type of employment. Both (a) and (b) include an inflation component of 3.00%, payroll growth of 3.25%, and individual salary growth using a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year period. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006 was seventeen years.

Funding Status and Funding Progress:

Because the plan had less than 100 active members in at least one valuation since June 30, 2003, the plan is required to participate in a risk pool. The following information pertains to the Miscellaneous 2.7% at 55 Risk Pool.

As of June 30, 2007, the most recent actuarial valuation date, the plan was 83.7% funded. The actuarial accrued liability for benefits was \$1.627 billion and the actuarial value of the assets was \$1.362 billion, resulting in an unfunded actuarial liability (UAAL) of \$265 million. The covered payroll (annual payroll of active employees covered under by the plan) was \$376.2 million, and the ratio of the UAAL to the covered payroll was 70.4 %.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS PLAN:

Plan Description:

The District elected to prefund its other post-employment benefits by adopting a defined benefit postemployment healthcare plan (Plan). The district contracted with the California Employers' Retiree Benefit Trust (CERBT) during the year ended June 30, 2009, to hold in trust and invest its OPEB contributions. The CERBT is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employees within the State of California. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Plan Benefits:

The Plan provides other post-employment benefits (medical and prescription coverage) to qualified employees, elected officials, and their eligible dependents. The District is contracted with CalPERS for the medical and prescription coverage (see note 1 S.).

The District provides for a vesting requirement in accordance with Government Code 22893 to receive retiree health benefits. Employees retiring with at least 10 years of CalPERS service and five years of service with the District receive 50% up to a maximum of the Out of State PERS Choice premium rate for active employees and eligible dependents. The amount increases for retirees by 5% per year of service so that a retiree with 20 years of service credit and five years of service with the District would receive 100% of the medical premium paid by the District up to a maximum of the Out of State PERS Choice premium. The District also provides for the health benefits to be continued under the CalPERS health plan to eligible family members upon the death of an employee prior to retirement. The cost for this coverage may be paid by the District or by the family members as established by District policy.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

The District provides for health and welfare benefits for elected officials, their survivors, and eligible dependents. Active elected officials, officials retiring with at least 12 years of service on the District Board, and their eligible dependents receive 100% of the medical premium paid by the District up to a maximum of the Out of State PERS Choice premium rate and dental benefits. District policy also provides for vision coverage benefits. In addition, contributions of \$20 per month are deposited on behalf of its elected officials into the District sponsored 457 plan as is required to satisfy the non-PERS employer definition of a contracting agency under Government Code Section 22920(b).

The District has nine retirees and eligible members of their families receiving benefits and has a total of 42 active participants and dependents. The Board of Directors has the authority to establish and amend benefit provisions of the Plan.

Annual OPEB Cost and Net OPEB Obligation:

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 current ARC rate for the year ended June 30, 2009 for the CERBT was \$285,735. The District's contributions included \$117,438 to fund the amortization of the actuarial accrued liability as determined by the July 1, 2007 actuarial valuation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 were as follows:

Annual Required Contribution	\$ 285,735
Interest on OPEB Obligation	
Adjustment to Annual Required Contribution	<u>                    </u>
Annual OPEB Cost	\$ 285,735
Contributions Made	<u>307,013</u>
Change in Net OPEB Obligation (Asset)	\$ (21,278)
Net OPEB Obligation (Asset), Beginning of Year	<u>                    </u>
Net OPEB Obligation (Asset), End of Year	<u>\$ (21,278)</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

Trend Information:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB (Asset)</u>
June 30, 2009	\$ 285,735	\$ 307,013	107.45%	(\$ 21,278)

Fiscal year June 30, 2009 was the year of implementation of GASB Statement 45 and the District has elected to implement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

In addition to the contribution to the CERBT, the District paid retiree premiums directly to providers and was not reimbursed by the CERBT in the amount of \$45,957 and \$35,359 for the years ended June 30, 2009 and 2008, respectively. The 2008 fiscal year contributions reflect the “pay-as-you-go” method used by the District prior to the implementation of GASB No. 45.

Funding Status and Funding Progress:

As of July 1, 2007, the first and most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability was \$1,888,064 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,888,064. The annual covered payroll was \$3,136,417 and the ratio of the UAAL to the annual covered payroll was 60.2%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District’s actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

As of June 30, 2009, one retired District employee is receiving health benefits under the current CalPERS health program. Eligible retired elected officials, retired employees, and their spouses covered under the previous plan receive 100% of the Medicare supplemental policy premiums paid by the District. As of June 30, 2009, one retired elected official with spouse and six employees/spouses are covered under the previous plan.

NOTE 7 VOTER LEGISLATION:

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

NOTE 8 COMMITMENTS AND CONTINGENCIES:

Commitments - As of June 30, 2009, the District had entered into construction commitments totaling \$2,606,608, of which \$956,267 had been earned, leaving a remaining balance of \$1,650,341. As of June 30, 2008, the District had entered into construction commitments totaling \$676,542, none of which had been earned, leaving the entire balance remaining.

NOTE 9 RELATED PARTY TRANSACTIONS:

Effective September 1, 2006, the District entered into a Joint Powers Agreement with the California Sanitation Risk Management Agency (CSRMA), a Joint Powers Authority formed under the laws of the California Government Code, for the purpose of participating in a Workers' Compensation Insurance Program. During the years ended June 30, 2009 and 2008, the District paid \$61,513 and \$57,670, respectively, for insurance coverage under this agreement. A refund of \$12,438 from previous years was applied to the fiscal year ended 2009 payment.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 10 RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters.

The District purchases commercial property insurance for real and personal property damage owned by the District with coverage up to a maximum of \$17.0 million. Limits of \$0.5 million apply to both the loss of income and extra expense coverage for a maximum of \$1.0 million of additional coverage for loss of income and extra expenses. There are various policy sub-limits based upon the value of individual properties. In addition the District purchases commercial property insurance for earthquake related property damage with coverage up to a maximum of \$5.0 million, subject a 5% deductible per building. The District also purchases property insurance covering \$0.9 million of specialized contractor's equipment (Inland Marine Coverage).

The District purchases general liability and management liability insurance coverage up to policy term aggregate limits of \$3.0 million each subject to various sub-policy limits, generally \$1.0 million for various activities such as personal and advertising injury or fire damage. The District also maintains insurance coverage related to employee dishonesty and crime. Finally, the District maintains commercial automobile insurance for vehicle related property damage with coverage up to a maximum of \$1.0 million and commercial umbrella insurance or excess liability coverage up to a maximum of \$5.0 million.

NOTE 11 PROPERTY TAXES:

The District has a gross assessed valuation of \$5.059 billion and \$4.756 billion for the fiscal years ended June 30, 2009 and 2008, respectively. The tax rate for the administrative expenses of the District was computed by the counties under Proposition 13. The tax rates assessed were within legal limits as allowed by law.

NOTE 12 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

State laws require that the District provide maintenance on a closed solid waste disposal site that exists on land owned by the District. The District was informed by the Nevada County Department of Environment Health that additional action was required regarding the final cover, final grading, and drainage and erosion control. The District has developed a Scope of Work, Work Plan and Site Specific Health & Safety Plan for the remediation of the issues identified.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 12 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued):

The estimated costs of closure and postclosure care were \$1,354,000 at June 30, 2009. This amount was estimated to be the total cost of closure and present value of postclosure care costs remaining. No further amounts were expected to be recognized in future periods at this time. The District previously recorded estimated costs of \$960,000 for the year ended June 30, 2008, and subsequently recorded additional costs of \$394,000 as an expense in the current year. The remaining liability is recorded as a component of Accounts Payable – Payable from Restricted Assets on the Statement of Net Assets. The District has also set aside a corresponding amount of cash for the purposes of paying the remediation costs and has reported this amount as a component of Cash and Cash Equivalents – Restricted Assets on the Statement of Net Assets. For the fiscal year ended 2009, the District applied for and received a matching state grant in the amount of \$645,000 to offset a portion of the remediation costs. The District has earned \$419,773 under the grant for the year ended June 30, 2009.

**REQUIRED SUPPLEMENTARY INFORMATION**

Truckee Sanitary District

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED) - RETIREMENT PLAN

June 30, 2009

Required Supplementary Information – Funded Status of Plan

Because the plan had less than 100 active members in at least one valuation since June 30, 2003 the plan is required to participate in a risk pool. The following supplementary information from the most recent actuarial valuation and the two preceding valuations pertains to the Miscellaneous 2.7% at 55 Risk Pool. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Valuation Date	Accrued Liabilities (AL)	Market Value of Assets (MVA)	Funded Ratio (MVA/AL)		
6/30/2005	\$ 872,346,612	\$ 751,804,969	86.2%		
6/30/2006	\$ 1,280,157,040	\$ 1,133,294,807	88.5%		
6/30/2007	\$ 1,627,025,950	\$ 1,570,323,686	96.5%		

Valuation Date	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
6/30/2005	\$ 729,556,809	\$ 142,789,803	83.6%	\$ 203,995,039	70.0%
6/30/2006	\$ 1,069,546,974	\$ 210,610,066	83.5%	\$ 304,898,179	69.1%
6/30/2007	\$ 1,362,059,317	\$ 264,966,633	86.7%	\$ 376,292,121	70.4%

Truckee Sanitary District

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS (UNAUDITED) - OTHER POST  
 EMPLOYMENT BENEFITS

June 30, 2009

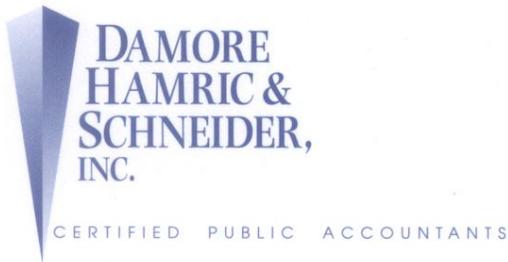
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
7/1/2007	\$ 0	\$ 1,888,064	\$ 1,888,064	0.0%	\$ 3,136,417	60.2%

Notes to the Required Supplementary Information

1. This information is intended to help users assess the OPEB funding status on a going concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.

2. Because this is the first valuation under GASB 45, there is no historical information provided. In the future, information from the three most recent valuations will be presented.

**SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of  
Truckee Sanitary District

Our report on our audits of the basic financial statements of the Truckee Sanitary District appears on Pages 3 and 4. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Damore, Hamric & Schneider Inc*  
DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

February 8, 2010

## STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2009

<u>Revenues:</u>	Budgeted Amounts Original & Final	Actual Amounts	Favorable (Unfavorable) Variance With Budget
Service Charges	\$ 2,435,300	\$ 2,423,137	(\$ 12,163)
Taxes	4,384,500	4,371,108	( 13,392)
Connection Fees	274,000	170,363	( 103,637)
Inspection Fees	60,000	122,830	62,830
Work Order Revenue	67,000	16,653	( 50,347)
Interest Earned	571,700	293,349	( 278,351)
Rent and Leases	6,000	9,498	3,498
Other	52,100	524,568	472,468
	<u>\$ 7,850,600</u>	<u>\$ 7,931,506*</u>	<u>\$ 80,906</u>
 <u>Expenses:</u>			
Administrative and General:			
Salaries and Wages	\$ 905,000	\$ 804,776	\$ 100,224
Payroll Burden	68,000	61,562	6,438
Benefits	738,000	725,692	12,308
Directors Fees	16,200	15,970	230
Transportation, Gas and Oil	10,000	6,150	3,850
Insurance	150,000	117,069	32,931
Dues and Subscriptions	23,400	23,233	167
Office Expense	32,000	22,530	9,470
Operating Supplies	20,000	10,044	9,956
Safety Supplies	5,000	3,268	1,732
Professional Services	32,900	35,806	( 2,906)
Legal	40,000	61,422	( 21,422)
Environmental Permits and Fees	4,000		4,000
Printing and Publications	20,000	565	19,435
Repairs and Maintenance-Vehicles and Equipment	7,800	12,006	( 4,206)
Repairs and Maintenance-Buildings and Grounds	600		
Employee Relations	15,000		
Travel and Meetings	60,000	50,388	9,612
Utilities and Telephone	49,600	42,646	6,954
Billing/Collection Expense	88,700	94,889	( 6,189)
Other	7,600	( 16,503)	24,103
	<u>\$ 2,293,800</u>	<u>\$ 2,071,513</u>	<u>\$ 222,287</u>

\* Actual does not include the nonbudgeted items of contributed capital from dedications and gain on sale of assets.

## STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2009

Operation and Maintenance:	Budgeted Amounts Original & Final	Actual Amounts	Favorable (Unfavorable) Variance With Budget
Salaries and Wages	\$ 2,062,000	\$ 2,248,300	(\$ 186,300)
Payroll Burden	210,800	224,362	( 13,562)
Benefits	932,000	976,232	( 44,232)
Transportation, Gas and Oil	84,000	64,848	19,152
Operating Supplies	67,800	67,332	468
Safety Supplies	20,800	9,842	10,958
Professional Services	27,900	11,491	16,409
Repairs and Maintenance	179,500	515,218	( 335,718)
Vehicle Maintenance	60,000	71,652	( 11,652)
Travel and Meetings	1,000		
Utilities and Telephone	148,300	126,821	21,479
Other	200	( 134,230)	134,430
	<u>3,794,300</u>	<u>4,181,868</u>	<u>(\$ 387,568)</u>
Total Operations and Maintenance	<u>\$ 3,794,300</u>	<u>\$ 4,181,868</u>	<u>(\$ 387,568)</u>
Total Expenses	<u>\$ 6,088,100</u>	<u>\$ 6,253,381</u>	<u>(\$ 165,281)</u>
Excess Revenues Over Expenses	<u>\$ 1,762,500</u>	<u>\$ 1,678,125</u>	<u>(\$ 84,375)</u>

Excess of Expenses Over Budget:

For the year ended June 30, 2009, Operations and Maintenance Expenses exceeded the approved budget, due primarily to unbudgeted Repairs and Maintenance expenses related to the solid waste disposal site discussed in Note 12 of the Notes to the Financial Statements. These expenses were covered by revenues that exceeded the approved budget and by available funds from the fund balance.