

TRUCKEE SANITARY DISTRICT

Financial Statements
Supplementary Information
&
Independent Auditor's Report

For the Fiscal Years Ended June 30, 2010 and 2009

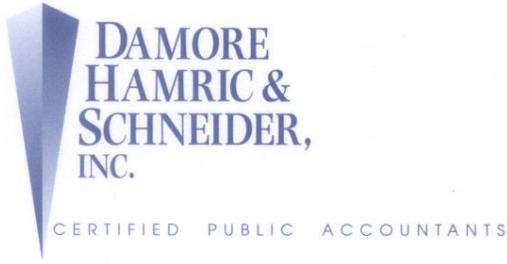
A PUBLIC AGENCY

Truckee Sanitary District

TABLE OF CONTENTS

June 30, 2010 and 2009

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 12
STATEMENTS OF NET ASSETS	13 - 14
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	15
STATEMENTS OF CASH FLOWS	16 - 17
NOTES TO FINANCIAL STATEMENTS	18 - 36
 R E Q U I R E D S U P P L E M E N T A R Y I N F O R M A T I O N	
SCHEDULE OF FUNDING PROGRESS (UNAUDITED) - OTHER POST EMPLOYMENT BENEFITS	38
 S U P P L E M E N T A R Y I N F O R M A T I O N	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	40
SCHEDULE 1 - STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL	41 - 42



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, 2010 and 2009, 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, 2010 and 2009, 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.

The Management's Discussion and Analysis and the Schedule 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

January 27, 2011

Truckee Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

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, 2010 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

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 10,500 equivalent family units and approximately 730 commercial accounts. Service is provided through about 353 miles of pipelines and 41 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, 2010

The General Manager serves as District Treasurer.

FINANCIAL HIGHLIGHTS

The District's Total Net Assets decreased by \$167,041 (less than 1%) from the prior fiscal year.

The District's Restricted and Unrestricted Net Assets decreased by 5% (\$561,556) from FY 09 to FY 10.

District Operating Revenue (comprised primarily of Service Charges) decreased by 2% when compared to FY 09.

District Non-Operating Revenue (comprised primarily of Property Taxes) decreased by 8% when compared to FY 09.

District Operating Expenses increased less than 1% (\$3,347) when compared to FY 09.

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 2010 and 2009. 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

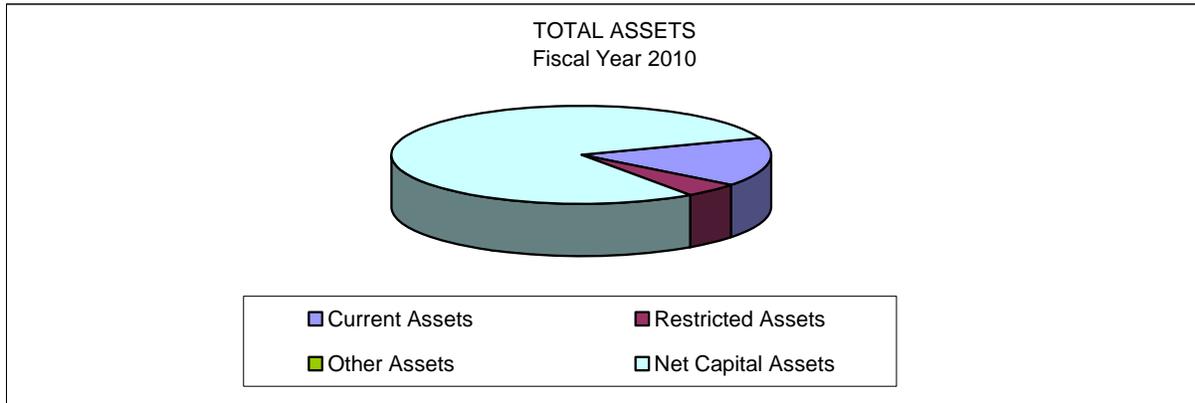
For the Fiscal Year Ended June 30, 2010

Statements of Net Assets:

The following table shows the Condensed Statement of Net Assets for the District for the fiscal year ended June 30, 2010:

Condensed Statement of Net Assets as of June 30, 2010 and 2009

	Fiscal Year 2010	Fiscal Year 2009	Difference \$	Difference %
Current Assets	\$ 10,880,104	\$ 11,478,883	(\$ 598,779)	-5%
Restricted Assets	3,139,639	3,582,863	(443,224)	-12%
Other Assets	36,336	107,440	(71,104)	-66%
Net Capital Assets	<u>53,355,125</u>	<u>52,960,610</u>	<u>394,515</u>	1%
Total Assets	<u>\$ 67,411,204</u>	<u>\$ 68,129,796</u>	<u>(\$ 718,592)</u>	-1%
Current Liabilities (payable from Current Assets)	\$ 1,298,619	\$ 1,179,176	\$ 119,443	10%
Current Liabilities (payable from Restricted Assets)	4,819	679,912	(675,093)	-99%
Non-Current Liabilities	<u>628,970</u>	<u>624,871</u>	<u>4,099</u>	1%
Total Liabilities	<u>\$ 1,932,408</u>	<u>\$ 2,483,959</u>	<u>(\$ 551,551)</u>	-22%
<u>Net Assets:</u>				
Invested in Capital Assets, net of related debt	\$ 53,355,125	\$ 52,960,610	\$ 394,515	1%
Restricted	2,505,850	2,278,080	227,770	10%
Unrestricted	<u>9,617,821</u>	<u>10,407,147</u>	<u>(789,326)</u>	-8%
Total Net Assets	<u>\$ 65,478,796</u>	<u>\$ 65,645,837</u>	<u>(\$ 167,041)</u>	0%



Truckee Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Statements of Net Assets (Continued):

The table shows the District's Total Net Assets were \$65,478,796 as of June 30, 2010. This represents a decrease of \$167,041 from the close of the previous fiscal year. The decrease can be attributed to assets surplus/scrapped and a Net Loss of \$764,779 in FY 10. Additionally, fewer capital assets (sewer facilities) were dedicated to the District by private developers during the fiscal year. The Truckee area has slowed its growth significantly when compared to 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 \$5,000 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), and maintenance and reconstruction of the Martis Valley Interceptor pipeline.

Unrestricted net assets are not legally designated for specific uses. However, the Board has by policy designated a substantial portion (\$1,760,159) 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.

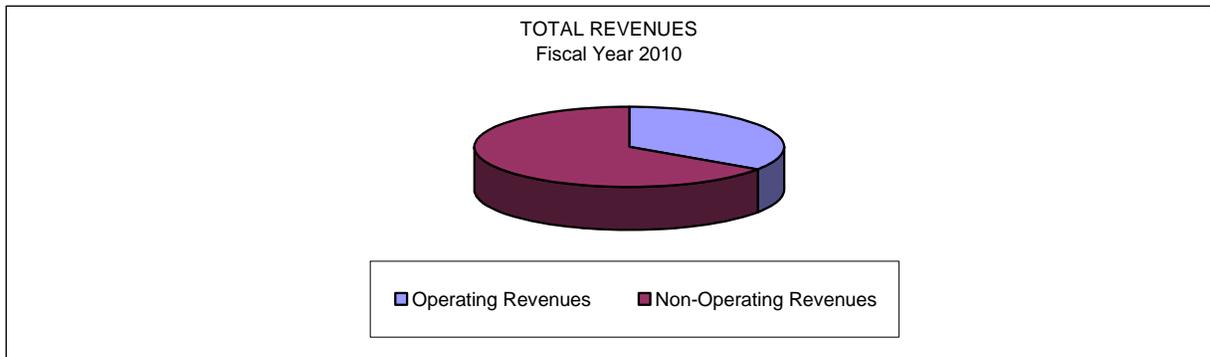
Truckee Sanitary District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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, 2010:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets as of June 30, 2010 and 2009

	2010	2009	Difference \$	Difference %
Operating Revenues	\$ 2,504,538	\$ 2,562,620	(\$ 58,082)	-2%
Non-Operating Revenues	4,792,337	5,210,199	(417,862)	-8%
Total Revenues	<u>\$ 7,296,875</u>	<u>\$ 7,772,819</u>	<u>(\$ 475,944)</u>	-6%
Operating Expenses	\$ 8,061,654	\$ 8,058,307	\$ 3,347	0%
Total Expenses	<u>\$ 8,061,654</u>	<u>\$ 8,058,307</u>	<u>\$ 3,347</u>	0%
Income (Loss) Before Capital Contributions	(\$ 764,779)	(\$ 285,488)	(\$ 479,291)	168%
Capital Contributions	<u>597,738</u>	<u>7,510,343</u>	<u>(6,912,605)</u>	-92%
Change in Net Assets	<u>(\$ 167,041)</u>	<u>\$ 7,224,855</u>	<u>(\$ 7,391,896)</u>	-102%



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 (98%) of the District's Operating Revenues. In FY 10, the District received \$2,449,224 in service charge revenue, up 1% from FY 09. Service charge revenue continues to increase each year due to additional connections being served. 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, 2010

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

Similarly, property taxes account for most (92%) of the District's Non-Operating Revenue. In FY 10, the District received \$4,415,060 in property tax revenue, up about 1% from the previous fiscal year.

Operating expenses were \$8,061,654 in FY 10, up less than 1% (\$3,347) from the previous fiscal year. Staff has been directed to freeze expenses where possible without compromising service to the public. Salaries and payroll related expense for retirement, liability insurance, and increased depreciation are the normal General Fund expenses contributing to the overall increase from FY 09 levels.

Statements of Cash Flows:

The following table presents the Condensed Statement of Cash Flows for the fiscal year ended June 30, 2010:

Condensed Statement of Cash Flows as of June 30, 2010 and 2009

	2010	2009	Difference \$	Difference %
Net Cash Used by Operating Activities	(\$ 4,920,635)	(\$ 3,875,073)	(\$ 1,045,562)	27%
Net Cash Provided by Non-Capital Financing Activities	5,329,193	4,252,803	1,076,390	25%
Net Cash Used by Capital & Related Activities	(1,636,600)	(1,314,252)	(322,348)	25%
Net Cash Provided by Investing Activities	<u>115,460</u>	<u>355,768</u>	<u>(240,308)</u>	-68%
Net Decrease in Cash and Cash Equivalents	(\$ 1,112,582)	(\$ 580,754)	(\$ 531,828)	92%
Cash and Cash Equivalents, Beginning of Year	<u>13,955,110</u>	<u>14,535,864</u>	<u>(580,754)</u>	-4%
Cash and Cash Equivalents, End of Year	<u>\$ 12,842,528</u>	<u>\$ 13,955,110</u>	<u>(\$ 1,112,582)</u>	-8%

The table shows the District's cash position declined \$1,112,582 from the beginning of the year to the end of the year of FY 10. This decrease is 8% less than the gain in cash during FY 09. The main contributions to the FY 10 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 09 to FY 10 are one-time events such as completion of the solar power-to-energy system and the District's compliance with the Governmental Accounting Standards Board Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). GASB 45 requires recognition, and display of OPEB expense/expenditures and related liabilities (assets) with disclosures noted in the financial statements. In FY 10 the District paid both the FY 09 and FY 10 Annual Required Contributions to the California Employers' Retiree Benefit Trust.

Truckee Sanitary District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Statements of Cash Flows (Continued):

Capital expenditures in FY 10 include installation of a solar power-to-energy system; replacing a dump truck and fleet pickup; parking lot improvements; the purchase of a sand spreader; closed circuit television equipment; and upgrading the SCADA telemetry system.

The District ended the fiscal year with \$12,842,528 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, 2010, the District's total investment in capital assets was \$80,311,297 including \$1,048,611 in non-depreciable assets (land and easements, construction in progress), and \$79,262,686 in depreciable assets (sewage collection and conveyance facilities, administrative facilities, general plant, and administrative equipment). Total depreciation on those assets of \$26,956,172 resulted in net capital assets as of June 30, 2010 of \$53,355,125. As described earlier, the District's net capital assets decreased by \$167,041 during FY 10. This is due to \$1.3 million in necessary capital expenditures while revenue and facility dedications continue to decline during a period of local economic decline. The District continues to be debt-free, thus no debt-related activities are reported in the financial statements.

BUDGET ANALYSIS

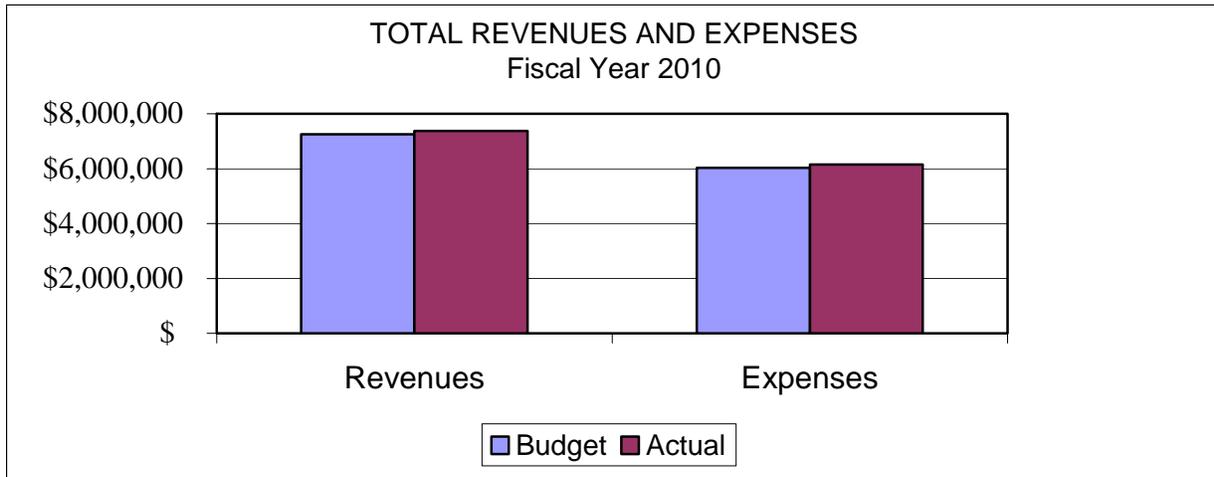
The District prepares an annual budget for operating and capital activities each year. The final budget is typically adopted by the Board of Directors in May or June each year. The following table summarizes budget and actual income/expenses for FY 10:

Summary of Fiscal Year 2010 Budget

	<u>FY 10 Budget</u>	<u>FY 10 Actual</u>	<u>Budget to Actual</u>	
			<u>\$</u>	<u>%</u>
Revenues	<u>\$ 7,254,500</u>	<u>\$ 7,381,975</u>	<u>\$ 127,475</u>	102%
Expenses	<u>\$ 6,028,600</u>	<u>\$ 6,150,177</u>	<u>(\$ 121,577)</u>	102%
Excess Revenue Over Expenses	<u>\$ 1,225,900</u>	<u>\$ 1,231,798</u>	<u>\$ 5,898</u>	5%

Truckee Sanitary District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2010

BUDGET ANALYSIS (Continued)



The table shows the District received \$127,475 more in revenue than anticipated in the final FY 10 budget. The main revenue sources providing most of the increase are new connections (\$33,150) and related service charges (\$24,524) were more than budgeted as a result of more development projects being completed than anticipated.

Total expenses exceeded the final budget by 2%.

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. Modest growth within the District generates connection fees and service charge revenue. Although real estate and development activities have slowed the pace of growth in FY 10 compared to FY 09, 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 11 budget, adopted by the Board of Directors in June, 2010, anticipates receipt of \$6,886,400 in total revenue, a decrease of 7% over FY 10 actual income. The District expects reduced income earnings in FY 11 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 to yield less than 1%.

The FY 11 budget shows \$6,279,850 in planned general fund expenditures, an increase of 2% from last year's actual expenditures. Budgeted expenses have increased from FY 10 to FY 11 primarily because of anticipated increases for one-time expenses that are scheduled to occur in FY 11 and cost of living adjustments to salaries.

Truckee Sanitary District
STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

ASSETS

<u>Current Assets:</u>	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 9,706,965	\$ 10,802,949
Accrued Interest Receivable	14,255	43,349
Accounts Receivable	253,403	230,954
Taxes Receivable	189,546	221,359
Parts and Supplies Inventory	183,977	161,828
Prepaid Expense	<u>531,958</u>	<u>18,444</u>
Total Current Assets	<u>\$ 10,880,104</u>	<u>\$ 11,478,883</u>
 <u>Restricted Assets:</u>		
Cash and Cash Equivalents	\$ 3,135,563	\$ 3,152,161
Accounts Receivable		419,773
Accrued Interest Receivable	<u>4,076</u>	<u>10,929</u>
Total Restricted Assets	<u>\$ 3,139,639</u>	<u>\$ 3,582,863</u>
 <u>Other Assets:</u>		
Assessments Receivable - Sierra Meadows	<u>\$ 36,336</u>	<u>\$ 107,440</u>
Total Other Assets	<u>\$ 36,336</u>	<u>\$ 107,440</u>
Net Capital Assets	<u>\$ 53,355,125</u>	<u>\$ 52,960,610</u>
Total Assets	<u><u>\$ 67,411,204</u></u>	<u><u>\$ 68,129,796</u></u>

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

Truckee Sanitary District

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

LIABILITIES & NET ASSETS

<u>Current Liabilities (Payable from Current Assets):</u>	<u>2010</u>	<u>2009</u>
Accounts Payable	\$ 115,127	\$ 204,077
Contract Retentions Payable		14,939
Accrued Payroll Deductions	119,109	100,976
Compensated Absences Payable	638,585	594,619
Customer Deposits	<u>425,798</u>	<u>264,565</u>
Total Current Liabilities (Payable from Current Assets)	<u>\$ 1,298,619</u>	<u>\$ 1,179,176</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>		
Accounts Payable	\$ 4,819	\$ 616,156
Contract Retentions Payable		<u>63,756</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 4,819</u>	<u>\$ 679,912</u>
Total Current Liabilities	<u>\$ 1,303,438</u>	<u>\$ 1,859,088</u>
<u>Noncurrent Liabilities:</u>		
Trust Fund Payable - Sewer Assessment Districts Maintenance Fund	<u>\$ 628,970</u>	<u>\$ 624,871</u>
Total Liabilities	<u>\$ 1,932,408</u>	<u>\$ 2,483,959</u>
<u>Net Assets:</u>		
Invested in Capital Assets	\$ 53,355,125	\$ 52,960,610
Restricted for Martis Valley Interceptor Maintenance	220,450	219,014
Restricted for Capital Expense	2,136,470	2,033,293
Restricted for Landfill Cleanup	148,930	25,773
Unrestricted	9,617,821	10,407,147
Total Net Assets	<u>\$ 65,478,796</u>	<u>\$ 65,645,837</u>
Total Liabilities & Net Assets	<u>\$ 67,411,204</u>	<u>\$ 68,129,796</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, 2010 and 2009

<u>Operating Revenues:</u>	<u>2010</u>	<u>2009</u>
Service Charges	\$ 2,449,224	\$ 2,423,137
Inspection and Cancellation Fees	43,446	122,830
Other Services	<u>11,868</u>	<u>16,653</u>
Total Operating Revenue	<u>\$ 2,504,538</u>	<u>\$ 2,562,620</u>
<u>Operating Expenses:</u>		
Operations and Maintenance	\$ 3,828,464	\$ 4,181,868
Administrative and General	2,321,713	2,071,513
Depreciation	<u>1,911,477</u>	<u>1,804,926</u>
Total Operating Expenses	<u>\$ 8,061,654</u>	<u>\$ 8,058,307</u>
Operating Loss	<u>(\$ 5,557,116)</u>	<u>(\$ 5,495,687)</u>
<u>Non-Operating Revenues:</u>		
Tax Revenue	\$ 4,415,060	\$ 4,371,108
Interest Earned	79,512	293,349
Rents and Leases	8,435	9,498
Gain on Disposal of Capital Assets	550	11,676
Other Revenue	<u>288,780</u>	<u>524,568</u>
Total Non-Operating Revenue	<u>\$ 4,792,337</u>	<u>\$ 5,210,199</u>
Net Loss before Contributions	<u>(\$ 764,779)</u>	<u>(\$ 285,488)</u>
<u>Capital Contributions:</u>		
Dedicated Land and Improvements	\$ 512,088	\$ 7,339,980
Connection Fees	<u>85,650</u>	<u>170,363</u>
	<u>\$ 597,738</u>	<u>\$ 7,510,343</u>
Change in Net Assets	<u>(\$ 167,041)</u>	<u>\$ 7,224,855</u>
Net Assets, Beginning of Year	<u>65,645,837</u>	<u>58,420,982</u>
Net Assets, End of Year	<u>\$ 65,478,796</u>	<u>\$ 65,645,837</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, 2010 and 2009

<u>Cash Flows From Operating Activities:</u>	<u>2010</u>	<u>2009</u>
Receipts from Customers	\$ 2,482,089	\$ 2,560,316
Payments to Suppliers	(4,326,525)	(3,405,031)
Payments to Employees	(3,065,389)	(3,014,388)
Other Payments	(10,810)	(15,970)
Net Cash Used by Operating Activities	<u>(\$ 4,920,635)</u>	<u>(\$ 3,875,073)</u>
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Taxes Collected	\$ 4,446,873	\$ 4,370,170
Increase/(Decrease) in Customer Deposits	161,233	(302,858)
Other Non-Operating Revenues	716,988	179,389
Increase in Trust Funds Payable	<u>4,099</u>	<u>6,102</u>
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 5,329,193</u>	<u>\$ 4,252,803</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Capital Contributions	\$ 85,650	\$ 170,363
Acquisition of Capital Assets	(1,793,904)	(1,533,382)
Proceeds from Sierra Meadows Assessments	71,104	36,090
Proceeds from Sale of Capital Assets	<u>550</u>	<u>12,677</u>
Net Cash Used by Capital and Related Financing Activities	<u>(\$ 1,636,600)</u>	<u>(\$ 1,314,252)</u>
<u>Cash Flows From Investing Activities:</u>		
Interest Received on Investments	<u>\$ 115,460</u>	<u>\$ 355,768</u>
Net Cash Provided by Investing Activities	<u>\$ 115,460</u>	<u>\$ 355,768</u>
Net Decrease in Cash and Cash Equivalents	(\$ 1,112,582)	(\$ 580,754)
Cash and Cash Equivalents, Beginning of Year	<u>13,955,110</u>	<u>14,535,864</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,842,528</u>	<u>\$ 13,955,110</u>

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

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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, 2010 and 2009

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

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, 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, 2010 and 2009 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.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

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.

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.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

K. Capital Assets:

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 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
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

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

L. Compensated Absences (Continued):

liability is recognized for that portion of accumulating sick leave benefits that is eligible for payment at termination or retirement. As of June 30, 2010 and 2009, accrued vacation and vested sick leave benefits totaled \$638,585 and \$594,619, 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.

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.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

O. Restricted Net Assets (Continued):

Landfill Cleanup Fund - This reserve consists of monies set aside to be used for the post-closure care costs for the Truckee burn dump site. For information about the site, see Note 12.

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, 2010 and 2009 was \$1,760,159 and \$3,547,029, 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).

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

T. Subsequent Events Review:

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

U. 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.

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, 2010 and 2009, the carrying amounts of the District's deposits were \$27,584 and \$11,458, respectively. The bank balances were \$40,034 and \$24,544, respectively. The District's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) subject to certain limits. At June 30, 2010, and 2009 the FDIC insurance limit was not exceeded.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

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.

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:

	2010		2009	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	<u>\$ 12,814,394</u>	<u>\$ 12,835,458</u>	<u>\$ 13,943,102</u>	<u>\$ 13,961,294</u>

Structured notes and asset backed securities comprise 5.42% of LAIF's total portfolio for all investors (Fair value of a pool share is 1.001643776. Cost value of a pool share is 1.00).

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

B. Investments(Continued):

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.

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2010</u>	<u>2009</u>
Cash on Hand	\$ 550	\$ 550
Cash Deposits	27,584	11,458
Investments	<u>12,814,394</u>	<u>13,943,102</u>
	<u>\$ 12,842,528</u>	<u>\$ 13,955,110</u>

Balance Sheet Classification:

<u>Cash and Cash Equivalents:</u>		
Unrestricted (1)	\$ 9,706,965	\$ 10,802,949
Restricted	<u>3,135,563</u>	<u>3,152,161</u>
	<u>\$ 12,842,528</u>	<u>\$ 13,955,110</u>

(1) The Designated portion of unrestricted cash (see Note 1P) is \$1,760,159 and \$3,547,029 for 2010 and 2009, respectively.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 3 RESTRICTED ASSETS:

Restricted and designated assets and related current liabilities as of June 30, 2010 are identified by use as follows:

	Sewer Assessment District 5 Maintenance Fund	Capital Expenses	Martis Valley Interceptor	Landfill Cleanup	Total
<u>Restricted Assets:</u>					
Cash and Cash Equivalents	\$ 628,105	\$ 2,133,562	\$ 220,147	\$ 153,749	\$ 3,135,563
Accounts Receivable					
Accrued Interest Receivable	865	2,908	303		4,076
Total Restricted Assets	<u>\$ 628,970</u>	<u>\$ 2,136,470</u>	<u>\$ 220,450</u>	<u>\$ 153,749</u>	<u>\$ 3,139,639</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>					
Accounts Payable	\$	\$	\$	\$ 4,819	\$ 4,819
Contract Retentions Payable					
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,819</u>	<u>\$ 4,819</u>

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

	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>\$ 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>\$ 679,912</u>	<u>\$ 679,912</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 4 CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land and Easements	\$ 578,599	\$	\$	\$ 578,599
Construction In Progress	805,251	1,633,062	1,968,301	470,012
Total Capital Assets not being Depreciated	\$ 1,383,850	\$ 1,633,062	\$ 1,968,301	\$ 1,048,611
<u>Capital Assets being Depreciated:</u>				
Sewage Collection Facilities	\$ 65,973,423	\$ 1,294,057	\$	\$ 67,267,480
Administrative Facilities	6,714,848	1,137,375		7,852,223
General Plant and Administrative Equipment	3,982,413	209,799	49,229	4,142,983
Total Capital Assets being Depreciated	\$ 76,670,684	\$ 2,641,231	\$ 49,229	\$ 79,262,686
Less Accumulated Depreciation for:				
Sewage Collection Facilities	\$ 20,290,615	\$ 1,436,570		\$ 21,727,185
Administrative Facilities	2,235,027	232,467		2,467,494
General Plant and Administrative Equipment	2,568,282	242,440	49,229	2,761,493
Total Depreciation	\$ 25,093,924	\$ 1,911,477	\$ 49,229	\$ 26,956,172
Net Capital Assets	\$ 52,960,610	\$ 2,362,816	\$ 1,968,301	\$ 53,355,125

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

	Beginning Balance	Additions	Deletions	Ending Balance
<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	\$ 1,279,126	\$ 1,299,760	\$ 1,195,036	\$ 1,383,850
<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	\$ 68,064,899	\$ 8,782,737	\$ 176,952	\$ 76,670,684
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	\$ 23,464,449	\$ 1,804,926	\$ 175,451	\$ 25,093,924
Net Capital Assets	\$ 45,879,576	\$ 8,277,571	\$ 1,196,537	\$ 52,960,610

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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), a cost-sharing 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 Headquarters - 400 Q Street - Sacramento, CA 95811.

Funding Policy - Active members in the plan were required to contribute 8% of their annual covered salary for fiscal years 2010 and 2009. 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 17.223% and 17.070% for fiscal years 2010 and 2009, 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 2010 and 2009, the District's annual pension costs were \$753,309, and \$799,644, 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>
6/30/2008	\$ 704,391	100%	\$ 0
6/30/2009	\$ 799,644	100%	\$ 0
6/30/2010	\$ 753,309	100%	\$ 0

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 5 PENSION PLAN (Continued):

The required contribution for fiscal year 2010 was determined as part of the June 30, 2007 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, 2007 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, 2008, the most recent actuarial valuation date, the plan was 85.0% funded. The actuarial accrued liability for benefits was \$1.823 billion and the actuarial value of the assets was \$1.548 billion, resulting in an unfunded actuarial liability (UAAL) of \$275 million. The covered payroll (annual payroll of active employees covered under by the plan) was \$414.6 million, and the ratio of the UAAL to the covered payroll was 70.9 %.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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 Q Street - Sacramento, CA 95811.

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, 2010 and 2009

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 five retirees and receiving benefits and 42 active participants receiving benefits. 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 ARC for the years ended June 30, 2010 and 2009 was \$271,215 and \$293,567, respectively. The District's current contribution included \$130,155 to fund the amortization of the actuarial accrued liability as determined by the July 1, 2009 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, 2010 were as follows:

Annual Required Contribution	\$ 271,215
Interest on OPEB Obligation	
Adjustment to Annual Required Contribution	<u>293,567</u>
Annual OPEB Cost	\$ 564,782
Contributions Made	<u>576,712</u>
Change in Net OPEB Obligation (Asset)	(\$ 11,930)
Net OPEB Obligation (Asset), Beginning of Year	<u>(\$ 21,278)</u>
Net OPEB Obligation (Asset), End of Year	<u><u>(\$ 33,208)</u></u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

The adjustment to the annual required contribution includes a contribution of \$285,735 required by CalPERS for the June 30, 2008 year, and a 3% adjustment to the 2008-2009 contribution in the amount of \$7,832 for increased payroll for the year ended June 30, 2009.

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, 2008	\$ 285,735		0.00%	\$ 285,735
June 30, 2009	\$ 293,567	\$ 307,013	104.58%	\$ 272,289
June 30, 2010	\$ 271,215	\$ 576,712	212.64%	(\$ 33,208)

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 \$36,609 and \$45,957 for the years ended June 30, 2010 and 2009, respectively.

Funding Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was 11.7% funded. The actuarial accrued liability was \$2,338,445 and the actuarial value of assets was \$273,687 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,064,758. The annual covered payroll was \$3,172,066 and the ratio of the UAAL to the annual covered payroll was 73.7%.

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, 2010 and 2009

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

As of June 30, 2010, 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, 2010, four retirees 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, 2010, the District had entered into construction commitments totaling \$408,100, of which \$357,570 had been earned, leaving a remaining balance of \$50,530. 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

NOTE 9 RELATED PARTY TRANSACTIONS:

The District is a member of 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, 2010 and 2009, the District paid \$50,685 and \$61,513, respectively, for insurance coverage under this agreement. A refund of \$8,746 and \$12,438 from previous years was applied to the payments for the fiscal years ended 2010 and 2009, respectively.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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 \$5.221 billion and \$5.059 billion for the fiscal years ended June 30, 2010 and 2009, 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:

The District was informed by the Nevada County Department of Environmental Health that additional action was required regarding the final cover, final grading, and drainage and erosion control on a closed solid waste disposal site that existed on land owned by the District. The District has completed remediation of the issues identified and has received a certificate of completion from the State.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

The remaining estimated costs of closure and postclosure care were \$23,800 at June 30, 2010. This amount was estimated to be the present value of postclosure care costs remaining. No further amounts were expected to be recognized in future periods at this time. The District has set aside cash for the purposes of paying the remaining 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 \$608,371 of that grant to date.

NOTE 13 COMMITMENTS OCCURRING SUBSEQUENT TO YEAR END:

Subsequent to year end, the District entered into contracts for an accounting software program and a construction project in the amount of \$174,104 and \$248,911, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Truckee Sanitary District

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

June 30, 2010

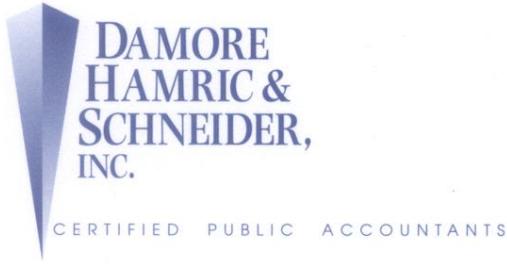
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
7/1/2007	\$ 0	\$ 1,888,064	\$ 1,888,064	0.0%	\$ 3,136,417	60.2%
7/1/2009	\$ 273,687	\$ 2,338,445	\$ 2,064,758	11.7%	\$ 3,172,066	73.7%

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 second valuation under GASB 45, there are only two years of 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

January 27, 2011

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2010

<u>Revenues:</u>	<u>Budgeted Amounts Original & Final</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Budget</u>
Service Charges	\$ 2,424,700	\$ 2,449,224	\$ 24,524
Taxes	4,431,200	4,415,060	(16,140)
Connection Fees	52,500	85,650	33,150
Inspection Fees	20,000	43,446	23,446
Work Order Revenue	20,000	11,868	(8,132)
Interest Earned	276,900	79,512	(197,388)
Rent and Leases	6,000	8,435	2,435
Other	23,200	288,780	265,580
	<u>\$ 7,254,500</u>	<u>\$ 7,381,975*</u>	<u>\$ 127,475</u>
Total Revenue			
 <u>Expenses:</u>			
Administrative and General:			
Salaries and Wages	\$ 830,000	\$ 812,199	\$ 17,801
Payroll Burden	61,400	57,532	3,868
Benefits	754,550	946,274	(191,724)
Directors Fees	20,400	10,810	9,590
Transportation, Gas and Oil	8,000	7,043	957
Insurance	123,000	131,338	(8,338)
Dues and Subscriptions	23,400	23,951	(551)
Office Expense	25,600	21,137	4,463
Operating Supplies	16,400	8,336	8,064
Safety Supplies	4,000	1,808	2,192
Professional Services	27,800	48,580	(20,780)
Legal	50,000	43,202	6,798
Environmental Permits and Fees	4,000		4,000
Printing and Publications	7,500	2,642	4,858
Repairs and Maintenance-Vehicles and Equipment	10,500	7,474	3,026
Employee Relations		13,392	(13,392)
Travel and Meetings	42,000	24,338	17,662
Utilities and Telephone	28,000	32,688	(4,688)
Billing/Collection Expense	106,000	93,818	12,182
Other	10,500	35,151	(24,651)
	<u>\$ 2,153,050</u>	<u>\$ 2,321,713</u>	<u>(\$ 168,663)</u>
Total Administrative and General			

* Actual does not include the non-budgeted 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, 2010

Operation and Maintenance:	Budgeted Amounts Original & Final	Actual Amounts	Favorable (Unfavorable) Variance With Budget
Salaries and Wages	\$ 2,159,500	\$ 2,159,919	(\$ 419)
Payroll Burden	218,800	221,053	(2,253)
Benefits	970,000	911,456	58,544
Transportation, Gas and Oil	81,500	60,831	20,669
Operating Supplies	70,500	75,556	(5,056)
Safety Supplies	19,250	16,119	3,131
Professional Services	16,200	7,030	9,170
Repairs and Maintenance	155,000	175,131	(20,131)
Vehicle Maintenance	70,000	81,157	(11,157)
Travel and Meetings	1,000		1,000
Utilities and Telephone	112,600	115,438	(2,838)
Other	1,200	4,774	(3,574)
	<u>\$ 3,875,550</u>	<u>\$ 3,828,464</u>	<u>\$ 47,086</u>
Total Operations and Maintenance			
	<u>\$ 6,028,600</u>	<u>\$ 6,150,177</u>	<u>(\$ 121,577)</u>
Total Expenses			
Excess Revenues Over Expenses	<u>\$ 1,225,900</u>	<u>\$ 1,231,798</u>	<u>\$ 5,898</u>

Excess of Expenses Over Budget:

For the year ended June 30, 2010, Administrative and General Expenses exceeded the approved budget, due primarily to additional unbudgeted OPEB contributions required for the 2007-2008 and the 2008-2009 years. (See Note 6 for additional information.) These expenses were covered by revenues that exceeded the approved budget and by available funds from the prior fund balance.