

**AMADOR WATER AGENCY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**



Leaf & Cole, LLP  
*Certified Public Accountants*

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## Independent Auditor's Report

To the Board of Directors  
Amador Water Agency  
12800 Ridge Road  
Sutter Creek, California 95685

We have audited the accompanying statements of net assets of Amador Water Agency (the "Agency") as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion 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 and the State Controller's Minimum Audit Requirements for California Special Districts. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the Agency's financial statements as a whole. The schedule of net assets by rate area, the schedule of revenues, expenses, and changes in net assets by rate area as of and for the year ended June 30, 2012, and the schedule of net revenues - Amador Water System for the years ended June 30, 2012 and 2011 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of net assets by rate area, the schedule of revenues, expenses, and changes in net assets by rate area, and the schedule of net revenues - Amador Water System are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Leaf & Cole LLP

San Diego, California  
July 11, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Amador Water Agency (the "Agency") provides an overview of the Agency's financial activities for the year ended June 30, 2012. Please read it in conjunction with the Agency's financial statements, which follow this section.

### **Financial Statements**

This discussion and analysis provides an introduction and a brief description of the Agency's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The Agency's financial statements include four components:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements.

The statement of net assets includes all the Agency's assets and liabilities, with the difference between the two reported as net assets. Net assets may be displayed in the categories:

- Invested in capital assets, net of related debt
- Restricted
- Unrestricted

The statement of net assets provides the basis for computing rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency.

The statement of revenues, expenses and changes in net assets presents information which shows how the Agency's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net assets measures the success of the Agency's operations over the past year and determines whether the Agency has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the Agency's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories:

- Operations
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net assets because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Highlights

- The Agency's net assets decreased by \$2,262,208 or 3.63 percent.
- During the year the Agency's total revenues increased to \$10,167,532 or 5.01 percent, and total expenses decreased to \$12,429,740 or 11.63 percent.

### Financial Analysis of the Financial Statements

#### Net Assets

The following is a summary of the Agency's statement of net assets:

	June 30, <u>2012</u>	June 30, <u>2011</u>	Dollar <u>Change</u>	Percentage <u>Change</u>
<b><u>Assets:</u></b>				
Current assets	\$ 2,574,326	\$ 2,295,202	\$ 279,124	12.16
Noncurrent Assets:				
Restricted assets	593,747	432,670	161,077	37.23
Due from the City of Plymouth	2,906,075	3,205,519	(299,444)	(9.34)
Capital assets	91,008,965	94,431,134	(3,422,169)	(3.62)
Other noncurrent assets	224,136	237,129	(12,993)	(5.48)
Total Assets	<u>97,307,249</u>	<u>100,601,654</u>	<u>(3,294,405)</u>	(3.27)
<b><u>Liabilities:</u></b>				
Current liabilities	2,323,871	1,956,854	367,017	18.76
Noncurrent liabilities	34,958,221	36,357,435	(1,399,214)	(3.85)
Total Liabilities	<u>37,282,092</u>	<u>38,314,289</u>	<u>(1,032,197)</u>	(2.69)
<b><u>Net Assets:</u></b>				
Invested in capital assets, net of related debt	55,556,179	58,268,976	(2,712,797)	(4.66)
Restricted	6,045,175	5,698,707	346,468	6.08
Unrestricted	<u>(1,576,197)</u>	<u>(1,680,318)</u>	104,121	(6.20)
Total Net Assets	<u>\$ 60,025,157</u>	<u>\$ 62,287,365</u>	<u>\$ (2,262,208)</u>	(3.36)

As you can see from the table above, net assets decreased by \$2,262,208 from fiscal year 2011 to 2012. Looking more carefully you will note that the most significant change was in capital assets, net of related debt, which decreased \$2,712,797 in fiscal year 2012. This decrease is the result of depreciation expense exceeding capital asset additions during the year as well as the net change in long-term debt.

Restricted net assets increased by \$346,468 from fiscal year 2011 to 2012 as a result of the activity in restricted cash accounts including participation fee and debt service accounts.

Unrestricted net assets (those that can be used to finance day-to-day operations) increased \$104,121 due to an increase in net working capital.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the Financial Statements (Continued)

#### Revenues, Expenses and Changes in Net Assets

The following is a summary of the Agency's revenues, expenses and changes in net assets for the years ended June 30, 2012 and June 30, 2011, respectively:

	June 30, <u>2012</u>	June 30, <u>2011</u>	Dollar <u>Change</u>	Percentage <u>Change</u>
Operating revenues	\$ 8,473,518	\$ 8,354,461	\$ 119,057	1.43
Nonoperating revenues	1,694,014	1,327,722	366,292	27.59
Total Revenues	<u>10,167,532</u>	<u>9,682,183</u>	<u>485,349</u>	5.01
Depreciation expense	3,720,433	3,770,544	(50,111)	(1.33)
Other operating expense	6,910,835	8,708,562	(1,797,727)	(20.64)
Nonoperating expense	1,798,472	1,586,874	211,598	13.33
Total Expenses	<u>12,429,740</u>	<u>14,065,980</u>	<u>(1,636,240)</u>	(11.63)
Capital contributions	<u>-</u>	<u>107,959</u>	<u>(107,959)</u>	(100.00)
Change in Net Assets	(2,262,208)	(4,275,838)	2,013,630	(47.09)
Net Assets at Beginning of Year	<u>62,287,365</u>	<u>66,563,203</u>	<u>(4,275,838)</u>	(6.42)
Net Assets at End of Year	<u>\$ 60,025,157</u>	<u>\$ 62,287,365</u>	<u>\$ (2,262,208)</u>	(3.63)

A closer examination of the source of changes in net assets reveals that the Agency's operating revenues increased \$119,057 in fiscal year 2012. Nonoperating revenues increased \$366,292 in fiscal year 2012 primarily as a result of the Agency having the benefit of being able to write off the Caltrans Advance.

Operating costs, exclusive of depreciation, decreased \$1,797,727 primarily as a result of management reducing the Agency's head count which began in late fiscal year 2011 and continued throughout 2012. The Agency also benefited from writing off less receivables and construction projects in fiscal year 2012.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets

Capital assets consist of the following at June 30, 2012 and June 30, 2011, respectively:

	June 30, <u>2012</u>	June 30, <u>2011</u>	Dollar <u>Change</u>	Percentage <u>Change</u>
<b><u>Capital Assets Not Being Depreciated:</u></b>				
Land	\$ 3,482,326	\$ 3,482,326	\$ -	-
Construction in progress	<u>4,645,216</u>	<u>4,483,913</u>	<u>161,303</u>	3.60
Total Capital Assets Not Being Depreciated	8,127,542	7,966,239	161,303	2.02
<b><u>Capital Assets Being Depreciated:</u></b>				
Utility plant	10,783,477	10,783,477	-	-
Source of supply	1,699,368	1,640,586	58,782	3.58
Pumping plant	670,116	670,116	-	-
Treatment plant	23,206,265	23,206,265	-	-
Transmission and distribution	72,404,550	72,341,749	62,801	0.09
General plant	<u>10,728,209</u>	<u>10,712,831</u>	<u>15,378</u>	0.14
Total Capital Assets Being Depreciated	119,491,985	119,355,024	136,961	0.11
Less: Accumulated Depreciation	<u>(36,610,562)</u>	<u>(32,890,129)</u>	<u>(3,720,433)</u>	11.31
Net Capital Assets Being Depreciated	<u>82,881,423</u>	<u>86,464,895</u>	<u>(3,583,472)</u>	(4.14)
Net Capital Assets	<u>\$ 91,008,965</u>	<u>\$ 94,431,134</u>	<u>\$ (3,422,169)</u>	(3.62)

The net additions to capital assets for fiscal year 2012 totaled \$298,264. Capital asset additions included continuing construction on the New York Ranch Reservoir within the Amador Water System, as well as additions from the Pine Grove Leachfield expansion being done within the Waste Water System.

### Long-Term Debt

The following is a summary of long-term debt at June 30, 2012 and June 30, 2011, respectively:

	June 30, <u>2012</u>	June 30, <u>2011</u>	Dollar <u>Change</u>	Percentage <u>Change</u>
Certificates of participation	\$ 21,505,000	\$ 22,010,000	\$ (505,000)	(2.29)
Notes payable	<u>13,587,779</u>	<u>13,337,104</u>	<u>250,675</u>	1.88
Total	35,092,779	35,347,104	(254,325)	(0.72)
Unamortized discount and premium	388,571	404,931	(16,360)	(4.04)
Deferred amount on refunding	<u>(28,564)</u>	<u>(35,705)</u>	<u>7,141</u>	(20.00)
Total Long-Term Debt	35,452,786	35,716,330	(263,544)	(0.74)
Less: Current portion	<u>(1,775,573)</u>	<u>(752,275)</u>	<u>(1,023,298)</u>	(136.02)
	<u>\$ 33,677,213</u>	<u>\$ 34,964,055</u>	<u>\$ (1,286,842)</u>	(3.82)

The Agency obtained a new loan from the City of Sutter Creek in the amount of \$594,226 and made debt payments of \$848,551 during the year ended June 30, 2012.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Economic Factors and Budget

The Agency's Board of Directors and management consider many factors when setting the fiscal year budget. The Agency has a number of capital improvement projects appropriated for the year ending June 30, 2013, including the CAWP Gravity Supply Line design and construction, the AWS Amador City Bridge relocation and Tank Liner and Lateral replacement work in the Lake Comanche Water System. The Agency's Capital Improvement Program for the year ended June 30, 2013 is \$4,918,456 which is an increase from the prior year. The Agency's total operating budget for the year ended June 30, 2013 is \$14,156,588, which is an increase compared to the adopted operating budget for the year ended June 30, 2012. The budget for the year ended June 30, 2013 does not contain an appropriation for the total Annual Required Contribution as defined in GASB 45.

Below is a historical look at water production and customer accounts by service area as of and for the years ended June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>Water Production (000 Gals):</u></b>				
Tanner Plant	773,990	752,838	706,501	774,394
Ione Plant	473,320	477,885	482,949	505,756
Buckhorn Plant	299,970	294,653	326,141	334,038
Lake Comanche Plant	91,220	95,697	89,392	93,691
La Mel Heights Plant	5,870	5,496	5,580	6,505
Total Production	1,644,370	1,626,569	1,610,563	1,714,384
<b><u>Customer Accounts:</u></b>				
<b><u>Water Connections:</u></b>				
Amador Water System	3,719	3,594	3,534	3,510
Cawp Retail	2,630	2,628	2,626	2,626
ID #7 - Lake Comanche	733	731	728	738
ID #3 - La Mel	58	58	58	59
Total Water Connections	7,140	7,011	6,946	6,933
<b><u>Wastewater Connections:</u></b>				
Lake Comanche (Users)	360	342	366	371
Wastewater (Users)	305	303	304	304
Martell Areas	181	178	179	179
Wastewater (Standby)	101	103	-	-
Total Wastewater Customers	947	926	849	854
Total Customers	8,087	7,937	7,795	7,787

### Contacting the District

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Amador Water Agency at (209) 223-3018.

**AMADOR WATER AGENCY  
STATEMENTS OF NET ASSETS  
JUNE 30, 2012 AND 2011**

<b>ASSETS</b>		<u>2012</u>	<u>2011</u>
<b><u>Current Assets:</u></b> (Notes 1, 2 and 4)			
Cash and cash equivalents	\$	696,878	\$ 185,943
Accounts receivable, net:			
Current services		1,231,257	1,375,739
Other		278,328	356,466
Taxes		6,577	11,011
Grants		55,984	55,984
Accrued interest receivable		625	437
Current portion due from the City of Plymouth		50,000	35,910
Inventory		215,058	217,588
Prepaid expenses		39,619	56,124
Total Current Assets		<u>2,574,326</u>	<u>2,295,202</u>
<b><u>Noncurrent Assets:</u></b>			
<b>Restricted Assets:</b> (Notes 1, 2 and 3)			
Cash and cash equivalents		473,947	311,380
Investments		<u>119,800</u>	<u>121,290</u>
Total Restricted Assets		<u>593,747</u>	<u>432,670</u>
<b>Capital Assets:</b> (Notes 1, 5 and 6)		<u>91,008,965</u>	<u>94,431,134</u>
<b>Other Assets:</b> (Notes 1 and 4)			
Due from City of Plymouth, less current portion above		2,906,075	3,205,519
Deferred bond costs		<u>224,136</u>	<u>237,129</u>
Total Other Assets		<u>3,130,211</u>	<u>3,442,648</u>
Total Noncurrent Assets		<u>94,732,923</u>	<u>98,306,452</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>97,307,249</u></b>	<b>\$ <u>100,601,654</u></b>

(Continued)

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

**AMADOR WATER AGENCY  
STATEMENTS OF NET ASSETS (CONTINUED)  
JUNE 30, 2012 AND 2011**

**LIABILITIES AND FUND EQUITY**

	<u>2012</u>	<u>2011</u>
<b><u>Current Liabilities:</u></b> (Notes 1 and 6)		
Accounts payable	\$ 229,843	\$ 837,933
Deposits	117,478	96,763
Accrued interest payable	179,207	188,766
Other payables	21,770	81,117
Current portion of long-term debt	1,775,573	752,275
Total Current Liabilities	<u>2,323,871</u>	<u>1,956,854</u>
<b><u>Noncurrent Liabilities:</u></b>		
<b><u>Long-Term Debt:</u></b> (Notes 1 and 6)		
Certificates of participation, net of current portion	21,340,007	21,874,226
Notes payable, net of current portion	12,337,206	13,089,829
Total Long-Term Debt	<u>33,677,213</u>	<u>34,964,055</u>
<b><u>Other Noncurrent Liabilities:</u></b> (Notes 1, 7 and 9)		
Caltrans advance	-	445,828
Compensated absences	237,508	230,508
Net OPEB obligation	1,043,500	717,044
Total Other Noncurrent Liabilities	<u>1,281,008</u>	<u>1,393,380</u>
Total Noncurrent Liabilities	<u>34,958,221</u>	<u>36,357,435</u>
Total Liabilities	<u>37,282,092</u>	<u>38,314,289</u>
<b><u>Commitments and Contingencies</u></b> (Notes 8, 9 and 10)		
<b><u>Net Assets:</u></b> (Note 12)		
Invested in capital assets, net of related debt	55,556,179	58,268,976
Restricted	6,045,175	5,698,707
Unrestricted	(1,576,197)	(1,680,318)
Total Net Assets	<u>60,025,157</u>	<u>62,287,365</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>97,307,249</u></b>	<b>\$ <u>100,601,654</u></b>

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

**AMADOR WATER AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>Operating Revenues:</u></b>		
Current services	\$ 7,938,457	\$ 7,962,389
Other revenues	535,061	392,072
Total Operating Revenues	<u>8,473,518</u>	<u>8,354,461</u>
<b><u>Operating Expenses:</u></b>		
Depreciation	3,720,433	3,770,544
General and administrative	3,588,786	3,989,518
Maintenance	1,258,222	1,810,121
Transmission and distribution	1,109,951	1,239,563
Source of supply	527,217	729,476
Water treatment	252,384	572,468
Engineering	174,275	367,416
Total Operating Expenses	<u>10,631,268</u>	<u>12,479,106</u>
Operating (Loss)	<u>(2,157,750)</u>	<u>(4,124,645)</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>		
Participation fees	592,624	406,403
Taxes and assessments	419,649	489,992
Other nonoperating revenue	553,917	156,548
Grant revenue	104,285	118,050
Investment income earned	23,539	156,729
Amortization	(12,993)	(12,993)
Other nonoperating expense	(235,354)	-
Interest expense	(1,550,125)	(1,573,881)
Total Nonoperating Revenues (Expenses)	<u>(104,458)</u>	<u>(259,152)</u>
(Loss) Before Capital Contributions	(2,262,208)	(4,383,797)
Capital Contributions	<u>-</u>	<u>107,959</u>
Change in Net Assets	(2,262,208)	(4,275,838)
Net Assets at Beginning of Year	<u>62,287,365</u>	<u>66,563,203</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u><u>\$ 60,025,157</u></u></b>	<b><u><u>\$ 62,287,365</u></u></b>

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

**AMADOR WATER AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Cash received from customers	\$ 8,698,367	\$ 8,239,313
Cash payments to suppliers for goods and services	(5,042,312)	(4,802,021)
Cash payments to employees for services	(2,175,566)	(3,116,295)
Net Cash Provided by Operating Activities	<u>1,480,489</u>	<u>320,997</u>
<b><u>Cash Flows From Noncapital and Related Financing Activities:</u></b>		
Receipts from taxes, assessments and other nonoperating income	<u>532,172</u>	<u>646,704</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>532,172</u>	<u>646,704</u>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>		
Acquisition and construction of capital assets	(287,681)	(185,993)
Proceeds from long-term debt	594,226	-
Proceeds from grant revenues	104,285	937,678
Proceeds from participation fees	592,624	406,403
Principal paid on long-term debt	(848,551)	(728,091)
Interest paid on long-term debt	(1,568,903)	(1,569,626)
Net Cash Used in Capital and Related Financing Activities	<u>(1,414,000)</u>	<u>(1,139,629)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchase of investments	(220,000)	(121,290)
Proceeds from sale or maturity of investments	221,490	220,000
Payments received on Due from City of Plymouth	50,000	32,905
Investment income	23,351	156,461
Net Cash Provided by Investing Activities	<u>74,841</u>	<u>288,076</u>
Net Increase in Cash and Cash Equivalents	673,502	116,148
Cash and Cash Equivalents at Beginning of Year	<u>497,323</u>	<u>381,175</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,170,825</u>	<u>\$ 497,323</u>
<b><u>Cash and Cash Equivalents:</u></b>		
<b><u>Financial Statement Classification:</u></b>		
Cash and cash equivalents	\$ 696,878	\$ 185,943
Restricted cash and cash equivalents	<u>473,947</u>	<u>311,380</u>
Total Cash and Cash Equivalents	<u>\$ 1,170,825</u>	<u>\$ 497,323</u>

(Continued)

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

**AMADOR WATER AGENCY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>Reconciliation of Operating (Loss) to Net Cash</u></b>		
<b><u>Provided by Operating Activities:</u></b>		
Operating (loss)	\$ (2,157,750)	\$ (4,124,645)
<b>Adjustments to reconcile operating (loss) to net cash provided by operating activities:</b>		
Depreciation	3,720,433	3,770,544
Bad debts - Accounts receivable - other	18,486	49,324
Bad debts - Grants receivable	-	131,386
<b>(Increase) Decrease in:</b>		
Accounts receivable - current services	144,482	(86,946)
Accounts receivable - other	59,652	(44,116)
Inventory	2,530	(82,691)
Prepaid expenses	16,505	7,245
<b>Increase (Decrease) in:</b>		
Accounts payable	(618,673)	383,724
Deposits	20,715	15,914
Other payables	(59,347)	9,987
Compensated absences	7,000	(55,107)
Net OPEB obligation	326,456	346,378
Net Cash Provided by Operating Activities	<u>\$ 1,480,489</u>	<u>\$ 320,997</u>
<b><u>Supplemental Disclosure of Cash Flow Information</u></b>		
Contribution of capital assets	<u>\$ -</u>	<u>\$ 107,959</u>
Amortization of discounts, premiums and deferred amount on refunding	<u>\$ (9,219)</u>	<u>\$ (9,220)</u>

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

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

The Amador Water Agency (Agency) was formed under an act of the Legislature of the State of California, Chapter 2137, Assembly Bill No. 2629, approved by the governor on July 18, 1959. The Agency's territory of authority consists of Amador County. The Agency has the power to do any and every lawful act necessary in order that sufficient water may be available for any present or future beneficial use or uses of the lands or inhabitants within the agency, including, but not limited to, irrigation, domestic, fire protection, municipal, commercial, industrial, recreational, and all other beneficial uses and purposes. The Agency has the power to construct, operate and maintain works to develop hydroelectric energy, for use by the agency in the operation of its works or as a means of assisting in financing the construction, operation and maintenance of its projects. The Agency has the power to control the flooding and storm waters of the Agency and the flood and storm waters of streams that have their sources outside of the Agency, which streams and floodwaters flow in the Agency, and to conserve such waters for beneficial and useful purposes of said Agency. The Agency has the power to plan, finance, acquire, construct, operate, and maintain facilities for the collection, transmission, treatment, and disposal of sewage, waste, and storm water. Whenever any area within the Agency is provided with a sewer or storm drain system by the Agency, the Board by ordinance may declare the further maintenance or use of cesspools, septic tanks, or other local means of sewage disposal to be a public nuisance, and may require all buildings inhabited or used by human beings which are not more than three hundred (300) feet from such system or any extension thereof to be connected with the system. The Agency is governed by a Board of Directors consisting of five directors elected by residents of the District.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14 as amended by GASB Statement 39. The Agency is the primary government unit. Component units are those entities which are financially accountable to the primary government either because the Agency appoints a voting majority of the component unit's board or because the component units will provide a financial benefit or impose a financial burden on the Agency. The Amador Water Agency Financing Corporation (the Corporation) provides assistance to the Agency in the issuance of debt. The Agency has accounted for the Corporation as a blended component unit. Despite being legally separate, the Corporation and the Agency are so intertwined that the Corporation is in substance part of the Agency's operations. Accordingly, the Corporation is included within the financial statements of the Agency.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies**

A summary of the Agency's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Method of Accounting**

The Agency utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net assets and the statements of revenues, expenses, and changes in net assets have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Agency's books and records include a General Fund, the Amador Water System, the Central Amador Water Project, four Improvement Districts, a Wastewater Fund and the Amador Water Agency Financing Corporation. These funds have been combined in the accompanying statements of net assets, statements of revenues, expenses, and changes in net assets and statements of cash flows. All material interfund transactions have been eliminated.

The Agency has not elected to apply the option allowed in Paragraph 7 of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Activities" and as a consequence will continue to apply GASB Statements and interpretations.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Revenue Recognition**

The Agency recognizes revenue from water sales, sewer services and other fees when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the Agency considers fees received from water sales, sewer services and other fees to be operating revenues.

**Investments**

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

**Allowance for Doubtful Accounts**

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful receivables totaled \$67,810 and \$49,324 at June 30, 2012 and 2011, respectively.



**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Taxes and Assessments**

Property taxes and assessments are billed by the County of Amador to property owners. The Agency's property tax calendar for the fiscal year ended June 30, 2012 was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 10 Second Installment - April 10

The County collects the taxes from the property owners and remits the funds to the Agency periodically during the year. The Agency has an arrangement with the County, whereby the County remits taxes which are delinquent as of each June 30 to the Agency in exchange for the right to retain the delinquent taxes, penalties and interest when these amounts are subsequently collected.

**Inventory**

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at weighted average cost.

**Capital Assets**

The Agency does not have a capitalization policy. Capital assets purchased or acquired are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Utility plant	40 - 50 years
Source of supply	40 years
Pumping plant	40 years
Treatment plant	40 years
Transmission and distribution	40 years
General plant	5 - 40 years

Depreciation aggregated \$3,720,433 and \$3,770,544 for the years ended June 30, 2012 and 2011, respectively.

**Interest**

The Agency incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the years ended June 30, 2012 and 2011.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Amortization**

Deferred bond costs are being amortized on the straight-line method over periods not to exceed debt maturities. Amortization of these expenses aggregated \$12,993 for the years ended June 30, 2012 and 2011. Discounts, premiums and the deferred amount on refunding are being amortized on the straight-line method over the remaining life of the related debt. Amortization of discounts, premiums and the deferred amount on refunding totaled \$9,219 and \$9,220 for the years ended June 30, 2012 and 2011, respectively, and is included in interest expense.

**Compensated Absences**

Accumulated unpaid vacation and sick leave totaling \$237,508 and \$230,508 is accrued when incurred and included in noncurrent liabilities at June 30, 2012 and 2011, respectively.

**Risk Management**

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2012, the Agency participated in the self-insurance programs of the Authority as follows:

Property Loss - Insured up to \$100,000,000 per occurrence (total insurable value of \$24,560,482) with \$2,500 deductible for buildings, personal property, and fixed equipment, and a \$1,000 deductible on mobile equipment and licensed vehicles; the Authority is self-insured up to \$50,000 per occurrence and excess insurance coverage has been purchased. Boiler and machinery deductibles vary depending on the type of equipment.

General Liability - Insured up to \$60,000,000 per occurrence with no deductible; the Authority is self-insured up to \$2 million and excess insurance coverage has been purchased.

Auto Liability - Insured up to \$60,000,000 per occurrence with no deductible; the Authority is self-insured up to \$2 million per occurrence and excess insurance coverage has been purchased.

Fidelity Bonds - The Authority is self-insured up to \$100,000 per occurrence with a \$1,000 deductible.

Public Officials' and Employees and Omissions - Insured up to \$60,000,000 per occurrence; the Authority is self-insured up to \$2 million and excess insurance coverage has been purchased.

Workers' Compensation - Workers' compensation is insured up to statutory amount and employer's liability is insured up to \$4,000,000. The Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Agency considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

**Subsequent Events**

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through July 11, 2013, the date the financial statements were available to be issued.

**Note 2 - Cash and Investments:**

**Investments Authorized by the California Government Code and the Agency's Investment Policy**

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
California Local Agencies Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes (Corporation Debt Investment Grade)	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Accounts	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

The Agency's Investment Policy is more restrictive than the California Government Code. The policy restricts the Agency from investing in any more than 10% of its portfolio in mutual funds.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 2 - Cash and Investments: (Continued)**

**Investments Authorized by the California Government Code and the Agency's Investment Policy (Continued)**

Cash and investments held by the Agency were comprised of the following at June 30:

	Maturity in Years			2011 Total
	1 Year or Less	1-5 Years	2012 Total	
Cash on hand	\$ 700	\$ -	\$ 700	\$ 700
California Local Agency Investment Fund (LAIF)	540,326	-	540,326	288,105
Money market account	402,790	-	402,790	175,641
Deposits with financial institutions	227,009	-	227,009	32,877
Investments:				
Certificates of deposit	-	119,800	119,800	121,290
Total Cash and Investments	\$ 1,170,825	\$ 119,800	\$ 1,290,625	\$ 618,613

Financial Statement Classification:

Current:

Cash and cash equivalents	\$ 696,878	\$ 185,943
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Restricted:

Cash and cash equivalents	473,947	311,380
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Investments	119,800	121,290
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Total Cash and Investments	\$ 1,290,625	\$ 618,613
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**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the Agency's investments by maturity as of June 30, 2012.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 2 - Cash and Investments: (Continued)**

**Disclosures Relating to 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. Presented below is the actual rating as of the year end for each investment type.

	<u>Rating as of Year End</u>
Certificates of Deposit	Not Rated
LAIF	Not Rated

**Concentration of Credit Risk**

Concentration of credit is the risk of loss attributed to the magnitude to the Agency's investment in a single issue.

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Agency holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total Agency investments.

**Custodial Credit Risk**

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

At June 30, 2012, none of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The following Agency investments were held by the same broker-dealer (counterparty) that was used by the Agency to buy the securities as of June 30:

	<u>2012</u>	<u>2011</u>
Certificates of Deposit	\$ <u>119,800</u>	\$ <u>121,290</u>

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 2 - Cash and Investments: (Continued)**

**Investment in State Investment Pool**

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

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail:

	<u>2012</u>	<u>2011</u>
California Local Agency Investment Fund (LAIF)	\$ 540,326	\$ 288,105
Money market account	402,790	175,641
Deposits with financial institutions	227,009	32,877
Petty cash	700	700
Total	<u>\$ 1,170,825</u>	<u>\$ 497,323</u>

**Note 3 - Restricted Assets:**

Restricted assets were provided by, and are to be used for, the following at June 30:

<u>Funding Source</u>	<u>Use</u>	<u>2012</u>	<u>2011</u>
Participation fees and interest earned	Capital improvement and replacement	\$ 340,751	\$ 154,368
Taxes, assessments and interest earned	Debt service	42,543	156,157
Taxes, assessments and interest earned	Debt service	9,286	9,263
Taxes, assessments and interest earned	Reserve funds	65,524	65,422
Taxes, assessments and interest earned	Reserve funds	63,162	2,911
Taxes, assessments and interest earned	Reserve funds	11,171	11,138
Taxes, assessments and interest earned	Reserve funds	24,524	13,364
Payments from City of Plymouth	Reserve funds	36,786	20,047
		<u>\$ 593,747</u>	<u>\$ 432,670</u>

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then unrestricted resources as necessary.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 4 - Due from the City of Plymouth**

The Agency and the City of Plymouth entered into an agreement to share the costs of constructing an 8-mile water transmission pipeline and related water facilities from the Agency's Tanner Water Treatment Plant to the City of Plymouth. The agreement required the City of Plymouth to pay an estimated 65.82% of the costs of the project. Subsequent to year-end, this estimate was reduced to 60.95% of the costs of the project. The effect of this change in accounting estimate (\$235,354) has been recorded in other nonoperating expense for the year ended June 30, 2012.

The remaining amounts owed by the City of Plymouth will be paid as requested by the Agency to meet its debt service requirements on two loans that the Agency obtained from the United States Department of Agriculture (USDA) totaling \$5,000,000. The USDA loans have 40 year terms and require interest payments in June of each year and Principal and interest payments in December of each year.

Changes in the due from the City of Plymouth consisted of the following at June 30, 2012:

	Balances at June 30, 2011	Change in Accounting Estimates	Deletions	Balance at June 30, 2012	Current Portion
Due from the City of Plymouth	\$ 3,241,429	\$ (235,354)	\$ (50,000)	\$ 2,956,075	\$ 50,000

**Note 5 - Capital Assets:**

Capital assets consist of the following at June 30:

	2012			
	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
<b><u>Capital Assets Not Being Depreciated:</u></b>				
Land	\$ 3,482,326	\$ -	\$ -	\$ 3,482,326
Construction in progress	4,483,913	365,894	(204,591)	4,645,216
Total Capital Assets Not Being Depreciated	<u>7,966,239</u>	<u>365,894</u>	<u>(204,591)</u>	<u>8,127,542</u>
<b><u>Capital Assets Being Depreciated:</u></b>				
Utility plant	10,783,477	-	-	10,783,477
Source of supply	1,640,586	58,782	-	1,699,368
Pumping plant	670,116	-	-	670,116
Treatment plant	23,206,265	-	-	23,206,265
Transmission and distribution	72,341,749	62,801	-	72,404,550
General plant	10,712,831	15,378	-	10,728,209
Total	<u>119,355,024</u>	<u>136,961</u>	<u>-</u>	<u>119,491,985</u>
Less: Accumulated depreciation	<u>(32,890,129)</u>	<u>(3,720,433)</u>	<u>-</u>	<u>(36,610,562)</u>
Net Capital Assets Being Depreciated	<u>86,464,895</u>	<u>(3,583,472)</u>	<u>-</u>	<u>82,881,423</u>
Net Capital Assets	<u>\$ 94,431,134</u>	<u>\$ (3,217,578)</u>	<u>\$ (204,591)</u>	<u>\$ 91,008,965</u>

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 5 - Capital Assets: (Continued)**

	2011			
	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
<b><u>Capital Assets Not Being Depreciated:</u></b>				
Land	\$ 3,482,326	\$ -	\$ -	\$ 3,482,326
Construction in progress	5,064,514	567,074	(1,147,675)	4,483,913
Total Capital Assets Not Being Depreciated	8,546,840	567,074	(1,147,675)	7,966,239
<b><u>Capital Assets Being Depreciated:</u></b>				
Utility plant	10,783,477	-	-	10,783,477
Source of supply	1,640,586	-	-	1,640,586
Pumping plant	670,116	-	-	670,116
Treatment plant	22,787,356	418,909	-	23,206,265
Transmission and distribution	71,886,105	455,644	-	72,341,749
General plant	10,712,831	-	-	10,712,831
Total	118,480,471	874,553	-	119,355,024
Less: Accumulated depreciation	(29,119,585)	(3,770,544)	-	(32,890,129)
Net Capital Assets Being Depreciated	89,360,886	(2,895,991)	-	86,464,895
Net Capital Assets	\$ 97,907,726	\$ (2,328,917)	\$ (1,147,675)	\$ 94,431,134

**Note 6 - Long-Term Debt:**

**Notes Payable**

Notes payable consist of the following at June 30:

	2012				
	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Current Portion
U.S. Department of Agriculture	\$ 4,605,000	\$ -	\$ (65,000)	\$ 4,540,000	\$ 70,000
U.S. Department of Agriculture	2,940,000	-	(30,000)	2,910,000	35,000
U.S. Department of Agriculture	1,960,000	-	(20,000)	1,940,000	20,000
Department of Water Resources	1,590,438	-	(72,653)	1,517,785	75,064
County of Amador	900,000	-	-	900,000	900,000
U.S. Department of Agriculture	784,000	-	(10,000)	774,000	12,000
City of Sutter Creek	-	594,226	(63,667)	530,559	84,889
U.S. Department of Agriculture	200,128	-	(2,657)	197,471	2,762
State Water Resource Control Board	158,405	-	(13,945)	144,460	14,336
Amador County	172,315	-	(63,543)	108,772	34,368
Department of Water Resources	26,818	-	(2,086)	24,732	2,154
	\$ 13,337,104	\$ 594,226	\$ (343,551)	\$ 13,587,779	\$ 1,250,573



**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 6 - Long-Term Debt: (Continued)**

**Notes Payable (Continued)**

	2011				
	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011	Current Portion
U.S. Department of Agriculture	4,670,000	-	(65,000)	4,605,000	65,000
U.S. Department of Agriculture	2,970,000	-	(30,000)	2,940,000	30,000
U.S. Department of Agriculture	1,980,000	-	(20,000)	1,960,000	20,000
Department of Water Resources	1,661,032	-	(70,594)	1,590,438	72,653
County of Amador	900,000	-	-	900,000	-
U.S. Department of Agriculture	794,000	-	(10,000)	784,000	10,000
U.S. Department of Agriculture	202,680	-	(2,552)	200,128	2,652
State Water Resource Control Board	171,971	-	(13,566)	158,405	13,946
Amador County	201,667	-	(29,352)	172,315	30,937
Department of Water Resources	28,845	-	(2,027)	26,818	2,087
	<u>\$ 13,580,195</u>	<u>\$ -</u>	<u>\$ (243,091)</u>	<u>\$ 13,337,104</u>	<u>\$ 247,275</u>

United States Department of Agriculture, Rural Utilities Service, secured by the Buckhorn Water Treatment Plant. Semi-annual payments of interest only at 4.25% each May and interest plus varying principal amounts each November. Original amount of \$5,000,000. Matures November 2043. Requires deposit equal to 1/10th of the annual installment payment to be made to a reserve fund each year until such balance reaches the average annual installment payment. The balance of the reserve fund totaled \$65,524 and \$65,422 at June 30, 2012 and 2011, respectively.

2012                      2011

\$ 4,540,000              \$ 4,605,000

United States Department of Agriculture, Rural Utilities Service, secured by all revenues and all amounts on deposit at Amador Water Agency. Semi-annual payments of interest only at 4.5% each June and interest plus varying principal amounts each December. Original amount of \$3,000,000. Matures December 2048. Requires deposit equal to 1/10th of the annual installment payment to be made to a reserve fund each year until such balance reaches the average annual installment payment. The balance of the reserve fund totaled \$36,786 and \$20,047 at June 30, 2012 and 2011, respectively.

2,910,000                      2,940,000

United States Department of Agriculture, Rural Utilities Service, secured by all revenues and all amounts on deposit at Amador Water Agency. Semi-annual payments of interest only at 4.125% each June and interest plus varying principal amounts each December. Original amount of up to \$2,000,000. Matures December 2048. Requires deposit equal to 1/10th of the annual installment payment to be made to a reserve fund each year until such balance reaches the average annual installment payment. The balance of the reserve fund totaled \$24,524 and \$13,364 at June 30, 2012 and 2011, respectively.

1,940,000                      1,960,000

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 6 - Long-Term Debt: (Continued)**

**Notes Payable (Continued)**

	<u>2012</u>	<u>2011</u>
State of California Department of Water Resources, secured by the Ridge System Project. Semi-annual payments of \$60,210 including interest at 3.0315% due each April and October. Original amount of \$2,359,032. Matures April 2028. Requires that semiannual payments to a reserve fund be accumulated during the first ten-year period, then maintained at such level thereafter. The balance of the reserve fund totaled \$63,162 and \$2,911 at June 30, 2012 and 2011, respectively.	\$ 1,517,785	\$ 1,590,438
County of Amador, unsecured, payment at maturity of principal outstanding plus accrued interest at 2% original amount of \$900,000. Matures December 2012.	900,000	900,000
United States Department of Agriculture, Rural Utilities Service, secured by the Buckhorn Water Treatment Plant. Semi-annual payments each May and November including interest at 2.45%. Original amount of \$840,000. Matures May 2044. Requires deposit equal to 1/10th of the annual installment payment to be made to a reserve fund each year until such balance reaches the average annual installment payment. The balance of the reserve fund totaled \$11,171 and \$11,138 at June 30, 2012 and 2011, respectively.	774,000	784,000
City of Sutter Creek, unsecured, quarterly payments of \$21,222 including interest based on the average monthly yield as published by LAIF (0.36% at June 30, 2012). Original amount of \$594,226. Matures September 2018.	530,559	-
United States Department of Agriculture, Rural Utilities Service, secured by the La Mel property. Annual payments of \$10,912 each November including interest at 4.125%. Original amount of \$212,000. Matures November 2044.	197,471	200,128
State of California Water Resources Control Board, secured by Pine Grove Wastewater System. Annual payments of \$18,383 including interest at 2.8% due each November. Original amount of \$278,612 matures November, 2020. The Agency shall maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment of this loan.	144,460	158,405

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 6 - Long-Term Debt: (Continued)**

**Notes Payable (Continued)**

	<u>2012</u>	<u>2011</u>
Amador County, secured by the Central Amador Water Project. Annual payment of \$40,242 including interest at 5.4% due each July 1. Original amount of \$623,311. Matures July 2015.	\$ 108,772	\$ 172,315
State of California Department of Water Resources, secured by the Hillside System Project. Semi-annual payments of \$1,444 including interest at 3.0315% due each April and October. Original amount of \$50,358. Matures April 2022.	24,732	26,818
Total Notes Payable	<u>\$ 13,587,779</u>	<u>\$ 13,337,104</u>

**Certificates of Participation**

Certificates of Participation consist of the following at June 30:

	2012				
	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Current Portion
Amador Water System Revenue Certificates of Participation, 2006 Series A	\$ 22,010,000	\$ -	\$ (505,000)	\$ 21,505,000	\$ 525,000
	<u>22,010,000</u>	<u>-</u>	<u>(505,000)</u>	<u>21,505,000</u>	<u>\$ 525,000</u>
Unamortized discounts and premiums	404,931	-	(16,360)	388,571	
Deferred amount on refunding	(35,705)	-	7,141	(28,564)	
	<u>\$ 22,379,226</u>	<u>\$ -</u>	<u>\$ (514,219)</u>	<u>\$ 21,865,007</u>	
	2011				
	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011	Current Portion
Amador Water System Revenue Certificates of Participation, 2006 Series A	\$ 22,495,000	\$ -	\$ (485,000)	\$ 22,010,000	\$ 505,000
	<u>22,495,000</u>	<u>-</u>	<u>(485,000)</u>	<u>22,010,000</u>	<u>\$ 505,000</u>
Unamortized discounts and premiums	421,292	-	(16,361)	404,931	
Deferred amount on refunding	(42,846)	-	7,141	(35,705)	
	<u>\$ 22,873,446</u>	<u>\$ -</u>	<u>\$ (494,220)</u>	<u>\$ 22,379,226</u>	

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 6 - Long-Term Debt: (Continued)**

**Certificates of Participation (Continued)**

In March 2006, the Amador Water Agency Financing Corporation issued \$23,240,000 Amador Water System Revenue Certificates of Participation, 2006 Series A. A portion of the proceeds were used to extinguish \$910,000 of the California Special Districts Finance Corporation, 1996 Series AA Certificates of Participation. Net proceeds of approximately \$946,144 were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the 1996 Series AA Certificates of Participation. As a result, the 1996 Series AA Certificates of Participation are considered to be defeased and the liability for the debt has been removed from the Agency's financial statements. The principal amount outstanding on the 2006 Series A Certificates of Participation at June 30, 2012 and 2011, totaled \$21,505,000 and \$22,010,000, respectively.

Although the refunding resulted in a deferred amount on refunding of \$71,410, the Agency in effect reduced its aggregate debt service payments by approximately \$301,344, over the next 10 years and obtained an economic gain of approximately \$60,659. The deferred amount on refunding is being amortized over the life of the refunded debt. The 2006 Series A Certificates of Participation are payable in annual installments including principal and interest at rates ranging from 4% to 5% and mature in June 2036.

Debt service requirements on the long-term debt are as follows:

Years Ended June 30	Certificates of Participation		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 525,000	\$ 1,007,625	\$ 1,250,573	\$ 510,744	\$ 1,775,573	\$ 1,518,369
2014	550,000	986,625	355,207	490,999	905,207	1,477,624
2015	570,000	964,625	370,122	479,896	940,122	1,444,521
2016	590,000	941,825	340,913	468,334	930,913	1,410,159
2017	615,000	918,225	350,208	456,079	965,208	1,374,304
2018 - 2022	3,470,000	4,200,625	1,570,562	2,117,779	5,040,562	6,318,404
2023 - 2027	4,285,000	3,380,925	1,683,809	1,814,928	5,968,809	5,195,853
2028 - 2032	5,465,000	2,204,750	1,538,228	1,478,677	7,003,228	3,683,427
2033 - 2037	5,435,000	696,000	1,749,657	1,135,858	7,184,657	1,831,858
2038 - 2042	-	-	2,146,196	718,262	2,146,196	718,262
2043 - 2047	-	-	1,732,304	245,282	1,732,304	245,282
2048 - 2050	-	-	500,000	21,872	500,000	21,872
	<u>\$ 21,505,000</u>	<u>\$ 15,301,225</u>	<u>\$ 13,587,779</u>	<u>\$ 9,938,710</u>	<u>\$ 35,092,779</u>	<u>\$ 25,239,935</u>

**Note 7 - Caltrans Advance:**

On October 30, 1992, the Agency entered into a Utility Agreement with the California Department of Transportation (Cal-Trans), whereby Cal-Trans would advance the Agency the necessary costs for relocating Agency facilities on Highway 49 to make way for a Cal-Trans project. The Utility Agreement did not define the parties' respective liabilities for certain disputed relocation costs. After execution of the Utility Agreement, Cal-Trans advanced to the Agency \$511,000 for relocation of the Agency's Highway 49 utility facilities. Of that amount, Cal-Trans accepted responsibility for approximately \$65,172. The Agency disputed responsibility for the remaining amount or approximately \$445,828. Cal-Trans has not filed a claim or taken any action against the Agency in seeking recovery of the disputed amount. The Agency has determined that the statute of limitations related to the advance has expired and thus has removed the liability from its financial statements. The resulting gain of \$445,828 has been included in other nonoperating revenue for the year ended June 30, 2012.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 8 - Restricted Net Assets:**

Restricted net assets consist of the following at June 30:

<u>Funding Source</u>	<u>Use</u>	<u>2012</u>	<u>2011</u>
Participation fees and interest earned	Capital improvement and replacement	\$ 4,336,987	\$ 4,141,424
Participation fees and interest earned	Capital improvement and replacement	340,751	154,368
Taxes, assessments and interest earned	Debt service	1,114,441	1,124,613
Taxes, assessments and interest earned	Debt service	42,543	156,157
Taxes, assessments and interest earned	Debt service	9,286	9,263
Taxes, assessments and interest earned	Reserve funds	65,524	65,422
Taxes, assessments and interest earned	Reserve funds	11,171	11,138
Taxes, assessments and interest earned	Reserve funds	63,162	2,911
Taxes, assessments and interest earned	Reserve funds	24,524	13,364
Payments from City of Plymouth	Reserve funds	36,786	20,047
Total Restricted Net Assets		<u>6,045,175</u>	<u>5,698,707</u>
Less: Interfund receivables, eliminated		<u>(5,451,428)</u>	<u>(5,266,037)</u>
Total Restricted Assets		<u>\$ 593,747</u>	<u>\$ 432,670</u>

**Note 9 - Post Employment Benefits:**

**Plan Description**

The Agency provides post-employment health care benefits established by Agency resolution to all qualifying employees. Eligibility for retiree health benefits requires retirement from the Agency and PERS on or after age 50 with at least 5 years of Agency eligible service. The Agency pays 100% of the benefit for the employee and 90% of the benefit for their dependents.

**Funding Policy and Annual OPEB Costs**

The contribution requirements of the Agency are established and may be amended annually by the Board of Directors. The Agency's annual other post-employment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Agency's Board of Directors has established a policy of funding the ARC on a pay as you go basis. The following table shows the components of the Agency's annual OPEB cost, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation at June 30:

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 9 - Post Employment Benefits: (Continued)**

**Funding Policy and Annual OPEB Costs (Continued)**

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 450,283	\$ 450,283
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	<u>450,283</u>	<u>450,283</u>
Contributions (including benefits paid)	<u>(123,827)</u>	<u>(103,905)</u>
Increase in net OPEB obligation	326,456	346,378
Net OPEB obligation - beginning of year	717,044	370,666
Net OPEB obligation (Asset) - end of year	<u>\$ 1,043,500</u>	<u>\$ 717,044</u>

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 450,283	17.7%	\$ 370,666
June 30, 2011	450,283	23.1%	717,044
June 30, 2012	450,283	27.5%	1,043,500

**Funding Status and Funding Progress**

As of June 1, 2010, the most recent actuarial valuation date, the plan was not yet funded. The Agency's actuarial accrued liability for benefits totaled \$4,788,652 at June 1, 2010, and the covered payroll (annual payroll of active employees covered by plan) was \$3,647,232 for period ending June 30, 2010. The associated ratio of the UAAL to the covered payroll was 129.11%. The normal cost payments made of \$79,617 at June 30, 2010 funded 17.68% of the Annual Required Contribution (ARC), leaving an unfunded actuarial liability (UAAL) of \$4,709,035 and a funded ratio of 1.66%.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll [(B-A)/C]</u>
June 30, 2010	\$ -	\$ 4,788,652	\$ 4,709,035	1.66%	\$ 3,647,232	129.11%

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 9 - Post Employment Benefits: (Continued)**

**Funding Status and Funding Progress (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Under GASB 45 the Agency is required to perform an actuarial valuation every three years.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the Agency's payroll will increase 3.0% per year.

**Note 10 - Defined Benefit Pension Plan:**

**Plan Description**

The Agency contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The Agency participates in the Miscellaneous 2.0% at 55 Risk Pool. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the state of California. CalPERS requires agencies with less than 100 active members in the plan to participate in a risk pool. All full and part-time Agency employees working at least 1,000 hours per year are eligible to participate in CalPERS. Under CalPERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit payable for life, in an amount equal to a benefit factor times the monthly average salary of the highest consecutive months' full-time equivalent monthly pay. A menu of benefits provisions as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Agency resolution. 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, California 95814.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 10 - Defined Benefit Pension Plan: (Continued)**

**Funding Policy**

Active plan members are required to contribute 7% of their annual covered salary. The Agency makes the contributions required of Agency employees on their behalf and for their account. The Agency is required to contribute at an actuarially determined rate. The required employer contribution rate was 11.69% and 10.69% for the fiscal year ended June 30, 2012 and 2011, respectively. The contribution requirements of the plan members and the Agency are established and may be amended by CalPERS. The Agency's contributions were \$417,014, \$585,013 and \$601,878 for the years ended June 30, 2012, 2011 and 2010, respectively, which were equal to the required contributions each year.

**Note 11 - Litigation:**

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Agency's financial position.

**Note 12 - New Governmental Accounting Standards:**

**GASB No. 60**

In November 2010, the Governmental Accounting Standards Board issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This pronouncement is effective for periods beginning after December 15, 2011 and its provisions are generally required to be applied retroactively. The objective of this statement is to address issues related to service concession arrangements (SCA's) which are a type of public-private or public-public partnership. An SCA is an arrangement between the transferor (a government) and an operator in which (1) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or other public assets in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Agency does not have any SCA's as of June 30, 2012.

**GASB No. 61**

In November 2010, the Governmental Accounting Standards Board issued Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34". This pronouncement is effective for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this statement is to address reporting entity issues that have arisen since the issuance of Statements No. 14 and No. 34. This pronouncement is not anticipated to have a material effect on the financial statements of the Agency in the year of implementation.



**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 12 - New Governmental Accounting Standards: (Continued)**

**GASB No. 62**

In December 2010, the Governmental Accounting Standards Board issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This pronouncement is effective for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements of the FASB and the AICPA that was issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. This pronouncement is not anticipated to have a material effect on the financial statements of the Agency in the year of implementation.

**GASB No. 63**

In June 2011, the Governmental Accounting Standards Board issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". This pronouncement is effective for periods beginning after December 15, 2011. Concepts Statement No. 4 "Elements of Financial Statements" introduced and defined deferred outflows and deferred inflows as an acquisition or consumption of net assets by the government that is applicable to a future reporting period, which is distinct from assets and liabilities. Concepts Statement No. 4 also defines net position as the residual of all other elements presented in a statement of financial position and renames that measure net position rather than net assets. This pronouncement is not anticipated to have a material effect on the financial statements of the Agency in the year of implementation.

**GASB No. 64**

In June 2011, the Governmental Accounting Standards Board issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB 53". This pronouncement is effective for periods beginning after June 15, 2011. This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Agency does not have any hedge transactions at June 30, 2012.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 12 - New Governmental Accounting Standards: (Continued)**

**GASB No. 65**

In March 2012, the Governmental Accounting Standards Board issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This pronouncement is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. This pronouncement is not anticipated to have a material effect on the financial statements of the Agency in the year of implementation.

**GASB No. 66**

In March 2012, the Governmental Accounting Standards Board issued Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62". This pronouncement is effective for periods beginning after December 15, 2012. This statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) service fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases", and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", respectively. This pronouncement is not anticipated to have a material effect on the financial statements of the Agency in the year of implementation.

**AMADOR WATER AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Note 12 - New Governmental Accounting Standards: (Continued)**

**GASB No. 67**

In June 2012, the Governmental Accounting Standards Board issued Statement No. 67, "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25". This pronouncement is effective for periods beginning after June 15, 2013. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 50, "Pension Disclosures", as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The Agency has not yet determined the effects of this pronouncement in the year of implementation.

**GASB No. 68**

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2013. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The Agency has not yet determined the effects of this pronouncement in the year of implementation.

**AMADOR WATER AGENCY  
SCHEDULE OF NET ASSETS BY RATE AREA  
JUNE 30, 2012**

	Agency General	Amador Water System	Central Amador Water Project	Improvement District 3	Improvement District 7	Waste Water	Improvement District 11	Improvement District 12	CAWP Retail	Eliminations	Total
<b>Current Assets:</b>											
Cash and cash equivalents	\$ 53,853	\$ 350,660	\$ 2,122	\$ 10,568	\$ 67,076	\$ 17,555	\$ 52,368	\$ 1,165	\$ 141,511	\$ -	\$ 696,878
Accounts receivable, net:											
Current services	-	503,581	22,307	8,140	96,091	140,123	66,068	108,857	286,090	-	1,231,257
Other	22,706	12,928	-	-	2,963	1	-	2,062	237,668	-	278,328
Taxes	6,577	-	-	-	-	-	-	-	-	-	6,577
Grants receivable	-	-	-	-	-	55,984	-	-	-	-	55,984
Accrued interest receivable	27	405	21	4	27	9	25	95	12	-	625
Current portion due from the City of Plymouth	-	50,000	-	-	-	-	-	-	-	-	50,000
Inventory	-	215,058	-	-	-	-	-	-	-	-	215,058
Prepaid expenses	594	22,979	3,169	198	4,130	1,981	1,189	1,585	3,794	-	39,619
<b>Total Current Assets</b>	<b>83,757</b>	<b>1,155,611</b>	<b>27,619</b>	<b>18,910</b>	<b>170,287</b>	<b>215,653</b>	<b>119,650</b>	<b>113,764</b>	<b>669,075</b>	<b>-</b>	<b>2,574,326</b>
<b>NonCurrent Assets:</b>											
<b>Restricted Assets:</b>											
Cash and cash equivalents	-	350,903	76,905	-	507	-	-	30,682	14,950	-	473,947
Investments	-	119,800	-	-	-	-	-	-	-	-	119,800
Interfund receivables	-	3,462,299	333,000	-	70,000	-	-	1,512,129	74,000	(5,451,428)	-
<b>Total Restricted Assets</b>	<b>-</b>	<b>3,933,002</b>	<b>409,905</b>	<b>-</b>	<b>70,507</b>	<b>-</b>	<b>-</b>	<b>1,542,811</b>	<b>88,950</b>	<b>(5,451,428)</b>	<b>593,747</b>
<b>Capital Assets</b>	<b>707,973</b>	<b>56,616,924</b>	<b>11,196,898</b>	<b>606,247</b>	<b>6,731,504</b>	<b>3,407,159</b>	<b>2,910,125</b>	<b>4,905,499</b>	<b>3,926,636</b>	<b>-</b>	<b>91,008,965</b>
<b>Other Assets:</b>											
Interfund receivables	537,160	584,519	-	-	-	-	-	-	-	(1,121,679)	-
Due from the City of Plymouth, less current portion above	-	2,906,075	-	-	-	-	-	-	-	-	2,906,075
Deferred bond costs	224,136	-	-	-	-	-	-	-	-	-	224,136
<b>Total Other Assets</b>	<b>761,296</b>	<b>3,490,594</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,121,679)</b>	<b>3,130,211</b>
<b>Total NonCurrent Assets</b>	<b>1,469,269</b>	<b>64,040,520</b>	<b>11,606,803</b>	<b>606,247</b>	<b>6,802,011</b>	<b>3,407,159</b>	<b>2,910,125</b>	<b>6,448,310</b>	<b>4,015,586</b>	<b>(6,573,107)</b>	<b>94,732,923</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,553,026</b>	<b>\$ 65,196,131</b>	<b>\$ 11,634,422</b>	<b>\$ 625,157</b>	<b>\$ 6,972,298</b>	<b>\$ 3,622,812</b>	<b>\$ 3,029,775</b>	<b>\$ 6,562,074</b>	<b>\$ 4,684,661</b>	<b>\$ (6,573,107)</b>	<b>\$ 97,307,249</b>

**AMADOR WATER AGENCY**  
**SCHEDULE OF NET ASSETS BY RATE AREA (CONTINUED)**  
**JUNE 30, 2012**

	Agency General	Amador Water System	Central Amador Water Project	Improvement District 3	Improvement District 7	Waste Water	Improvement District 11	Improvement District 12	CAWP Retail	Eliminations	Total
<b>Current Liabilities:</b>											
Accounts payable	\$ 108,137	\$ 36,360	\$ 56,840	\$ 2,285	\$ 4,528	\$ 4,189	\$ 6,367	\$ 2,955	\$ 8,182	\$ -	\$ 229,843
Deposits	-	83,631	-	700	12,195	125	190	276	20,361	-	117,478
Accrued interest payable	-	110,352	63,098	2,775	-	2,982	-	-	-	-	179,207
Other payables	4,920	12,300	-	-	4,550	-	-	-	-	-	21,770
Current Portion of long-term debt	-	657,218	1,016,368	2,762	-	14,336	-	84,889	-	-	1,775,573
Interfund payables	203,000	491,000	806,000	190,041	1,075,162	1,453,995	1,259,129	50,000	1,044,780	(6,573,107)	-
Total Current Liabilities	<u>316,057</u>	<u>1,390,861</u>	<u>1,942,306</u>	<u>198,563</u>	<u>1,096,435</u>	<u>1,475,627</u>	<u>1,265,686</u>	<u>138,120</u>	<u>1,073,323</u>	<u>(6,573,107)</u>	<u>2,323,871</u>
<b>Noncurrent Liabilities:</b>											
<b>Long Term Debt:</b>											
Certificates of participation	-	21,340,007	-	-	-	-	-	-	-	-	21,340,007
Notes payable	-	6,260,298	5,306,404	194,710	-	130,124	-	445,670	-	-	12,337,206
Total Long Term Debt	<u>-</u>	<u>27,600,305</u>	<u>5,306,404</u>	<u>194,710</u>	<u>-</u>	<u>130,124</u>	<u>-</u>	<u>445,670</u>	<u>-</u>	<u>-</u>	<u>33,677,213</u>
<b>Other Noncurrent Liabilities:</b>											
Compensated absences	27,724	110,684	27,730	1,858	12,397	13,758	8,433	8,200	26,724	-	237,508
Net OPEB obligation	64,986	529,443	105,391	5,011	53,422	68,687	43,924	49,332	123,304	-	1,043,500
Total Other Noncurrent Liabilities	<u>92,710</u>	<u>640,127</u>	<u>133,121</u>	<u>6,869</u>	<u>65,819</u>	<u>82,445</u>	<u>52,357</u>	<u>57,532</u>	<u>150,028</u>	<u>-</u>	<u>1,281,008</u>
Total Noncurrent Liabilities	<u>92,710</u>	<u>28,240,432</u>	<u>5,439,525</u>	<u>201,579</u>	<u>65,819</u>	<u>212,569</u>	<u>52,357</u>	<u>503,202</u>	<u>150,028</u>	<u>-</u>	<u>34,958,221</u>
Total Liabilities	<u>408,767</u>	<u>29,631,293</u>	<u>7,381,831</u>	<u>400,142</u>	<u>1,162,254</u>	<u>1,688,196</u>	<u>1,318,043</u>	<u>641,322</u>	<u>1,223,351</u>	<u>(6,573,107)</u>	<u>37,282,092</u>
<b>Net Assets:</b>											
Invested in capital assets, net of related debt	707,973	28,359,401	4,874,126	408,775	6,731,504	3,262,699	2,910,125	4,374,940	3,926,636	-	55,556,179
Restricted	-	3,933,002	409,905	-	70,507	-	-	1,542,811	88,950	-	6,045,175
Unrestricted	436,286	3,272,435	(1,031,440)	(183,760)	(991,967)	(1,328,083)	(1,198,393)	3,001	(554,276)	-	(1,576,197)
Total Net Assets	<u>1,144,259</u>	<u>35,564,838</u>	<u>4,252,591</u>	<u>225,015</u>	<u>5,810,044</u>	<u>1,934,616</u>	<u>1,711,732</u>	<u>5,920,752</u>	<u>3,461,310</u>	<u>-</u>	<u>60,025,157</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,553,026</u>	<u>\$ 65,196,131</u>	<u>\$ 11,634,422</u>	<u>\$ 625,157</u>	<u>\$ 6,972,298</u>	<u>\$ 3,622,812</u>	<u>\$ 3,029,775</u>	<u>\$ 6,562,074</u>	<u>\$ 4,684,661</u>	<u>\$ (6,573,107)</u>	<u>\$ 97,307,249</u>

**AMADOR WATER AGENCY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY RATE AREA**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Agency General	Amador Water System	Central Amador Water Project	Improvement District 3	Improvement District 7	Waste Water	Improvement District 11	Improvement District 12	CAWP Retail	Eliminations	Total
<b>Operating Revenues:</b>											
Current services	\$ -	\$ 4,413,225	\$ 103,784	\$ 40,584	\$ 323,120	\$ 403,795	\$ 420,106	\$ 520,349	\$ 1,713,494	\$ -	\$ 7,938,457
Other revenues	183,413	204,925	790,246	-	(6,509)	-	800	9,158	12,504	(659,476)	535,061
Total Operating Revenues	<u>183,413</u>	<u>4,618,150</u>	<u>894,030</u>	<u>40,584</u>	<u>316,611</u>	<u>403,795</u>	<u>420,906</u>	<u>529,507</u>	<u>1,725,998</u>	<u>(659,476)</u>	<u>8,473,518</u>
<b>Operating Expenses:</b>											
Depreciation	254,821	2,017,564	354,332	27,023	248,644	136,207	127,679	360,631	193,532	-	3,720,433
General and administrative	595,943	1,666,901	285,886	21,879	234,145	163,170	125,109	113,308	747,412	(364,967)	3,588,786
Maintenance	13,976	341,334	461,364	6,644	50,099	43,182	75,510	226,831	333,791	(294,509)	1,258,222
Transmission and distribution	36,491	470,369	146,430	10,683	42,715	145,420	99,560	77,354	80,929	-	1,109,951
Source of supply	6,038	285,930	26,589	932	52,028	11,679	8,777	6,613	128,631	-	527,217
Water treatment	-	118,627	51,846	6,088	11,283	20,445	34,026	158	9,911	-	252,384
Engineering	42,705	68,058	19,474	96	9,814	7,451	4,946	9,230	12,501	-	174,275
Total Operating Expenses	<u>949,974</u>	<u>4,968,783</u>	<u>1,345,921</u>	<u>73,345</u>	<u>648,728</u>	<u>527,554</u>	<u>475,607</u>	<u>794,125</u>	<u>1,506,707</u>	<u>(659,476)</u>	<u>10,631,268</u>
Operating Income/(Loss)	<u>(766,561)</u>	<u>(350,633)</u>	<u>(451,891)</u>	<u>(32,761)</u>	<u>(332,117)</u>	<u>(123,759)</u>	<u>(54,701)</u>	<u>(264,618)</u>	<u>219,291</u>	<u>-</u>	<u>(2,157,750)</u>
<b>Nonoperating Revenues (Expenses)</b>											
Participation fees	-	529,190	-	-	-	-	-	49,475	13,959	-	592,624
Taxes and assessments	230,491	52,336	-	11,148	27,800	56,308	-	-	41,566	-	419,649
Other nonoperating revenue	-	453,610	105,125	-	2,608	689	8	(6,704)	(1,419)	-	553,917
Grant revenue	-	-	-	-	73,215	31,070	-	-	-	-	104,285
Investment income earned	2,931	78,203	316,923	44	164	77	104	26,438	34	(401,379)	23,539
Amortization	(12,993)	-	-	-	-	-	-	-	-	-	(12,993)
Other expense	3,060	(237,154)	(249)	(16)	(154)	(155)	(94)	(126)	(466)	-	(235,354)
Interest expense	1,285	(1,276,662)	(258,514)	(12,877)	(15,281)	(26,481)	(25,870)	(2,437)	(334,667)	401,379	(1,550,125)
Total Nonoperating Revenues (Expenses)	<u>224,774</u>	<u>(400,477)</u>	<u>163,285</u>	<u>(1,701)</u>	<u>88,352</u>	<u>61,508</u>	<u>(25,852)</u>	<u>66,646</u>	<u>(280,993)</u>	<u>-</u>	<u>(104,458)</u>
(Loss) Before Capital Contributions	<u>(541,787)</u>	<u>(751,110)</u>	<u>(288,606)</u>	<u>(34,462)</u>	<u>(243,765)</u>	<u>(62,251)</u>	<u>(80,553)</u>	<u>(197,972)</u>	<u>(61,702)</u>	<u>-</u>	<u>(2,262,208)</u>
<b>Capital Contributions</b>											
Change in net assets	<u>(541,787)</u>	<u>(751,110)</u>	<u>(288,606)</u>	<u>(34,462)</u>	<u>(243,765)</u>	<u>(62,251)</u>	<u>(80,553)</u>	<u>(197,972)</u>	<u>(61,702)</u>	<u>-</u>	<u>(2,262,208)</u>
Net Assets at Beginning of Year	<u>1,686,046</u>	<u>36,315,948</u>	<u>4,541,197</u>	<u>259,477</u>	<u>6,053,809</u>	<u>1,996,867</u>	<u>1,792,285</u>	<u>6,118,724</u>	<u>3,523,012</u>	<u>-</u>	<u>62,287,365</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,144,259</u>	<u>\$ 35,564,838</u>	<u>\$ 4,252,591</u>	<u>\$ 225,015</u>	<u>\$ 5,810,044</u>	<u>\$ 1,934,616</u>	<u>\$ 1,711,732</u>	<u>\$ 5,920,752</u>	<u>\$ 3,461,310</u>	<u>\$ -</u>	<u>\$ 60,025,157</u>

**AMADOR WATER AGENCY**  
**SUPPLEMENTARY SCHEDULE OF NET REVENUES – AMADOR WATER SYSTEM**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>Revenues:</u></b>		
Current services	\$ 4,413,225	\$ 4,422,947
Participation fees	529,190	168,035
Other nonoperating revenue	453,610	24,023
PG&E contract payments	156,556	163,903
Taxes and assessments	52,336	49,738
Connection fees	48,369	376
Investment income, net	21,896	139,704
Less: Investment income on restricted reserves	(149)	-
Total Revenues	<u>5,675,033</u>	<u>4,968,726</u>
<b><u>Expenditures:</u></b>		
Salaries and benefits	1,703,810	2,205,600
System operations and maintenance	612,873	550,745
Administrative expenditures	423,446	438,884
OPEB payments	211,090	208,889
Total Expenditures	<u>2,951,219</u>	<u>3,404,118</u>
<b><u>Senior Debt Service Payments:</u></b>		
Certificate of Participation/Loan admin fee	2,025	1,800
Capital leases	757	878
Total Senior Debt Service	<u>2,782</u>	<u>2,678</u>
Total Expenditures	<u>2,954,001</u>	<u>3,406,796</u>
Net Revenues	<u>\$ 2,721,032</u>	<u>\$ 1,561,930</u>
<b><u>Debt Service:</u></b>		
2006 Series A Certificates of Participation	\$ 1,532,825	\$ 1,532,225
2008 USDA Loan (Plymouth)	262,063	264,238
Total Debt Service	<u>\$ 1,794,888</u>	<u>\$ 1,796,463</u>
Debt Service Coverage Ratio	152%	87%