

NORTH TAHOE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis
Financial Statements
Supplementary Information
and
Independent Auditor's Report

For the Fiscal Years Ended June 30, 2015 and 2014



North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2015 and 2014

BOARD OF DIRECTORS

S. Lane Lewis, President

John Bergmann, Vice President

Sue Daniels, Secretary

Tim Ferrell, Director

Phil Thompson, Director

MANAGEMENT

Duane Whitelaw, General Manager/Chief Executive Officer

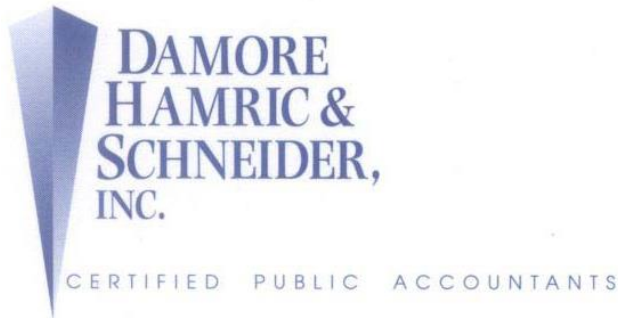
Larry Marple, Chief Financial Officer

North Tahoe Public Utility District

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June 30, 2015 and 2014

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To the Board of Directors
North Tahoe Public Utility District
Tahoe Vista, California

We have audited the accompanying financial statements of the business-type activities of North Tahoe Public Utility District as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of North Tahoe Public Utility District as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As described in Note 12 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 and the required supplementary information related to the pension on pages 50 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Tahoe Public Utility District's basic financial statements. The supplementary information contained in schedule 1 on page 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relating to the financial statements as a whole.


DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

March 3, 2016

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

As management of the North Tahoe Public Utility District (NTPUD), we offer readers of NTPUD's financial statements this narrative overview and analysis of NTPUD's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT

The District's Current Assets decreased by \$2,677,800 from \$13,320,298 to \$10,642,498. Non-Current Investments increased by \$1,561,118 from \$0 in 2014 to \$1,561,118 in 2015. Restricted Assets increased from \$544,863 to \$978,691. Net Capital Assets grew from \$50,434,687 to \$52,753,969 an increase of \$2,319,282. This increase was primarily due to the design and construction of a new Base Facility for which the District invested \$2,816,052. As a result of the adoption of GASB 68 reporting requirements, Deferred Pension Outflows of \$475,530 was recorded for FYE 2015. The District's Total Assets increased by \$2,111,958 to \$66,411,806. Current Liabilities (Payable from Current Assets) increased by \$132,806 to \$1,164,641. Current Liabilities (Payable from Restricted Assets) increased by \$957,998 from \$118,361 to \$1,076,359. The increase was attributable to the construction of the Base Facility. Noncurrent Liabilities decreased by \$7,824 from \$3,947,528 to \$3,939,704. The Net Investment in Capital Assets, net of Related Debt increased by \$2,600,920 as additions of new Capital Assets exceeded depreciation. The amount Restricted for Capital Outlay decreased by \$524,169, dropping below zero as Accounts Payable related to Capital Projects exceeded current assets. A portion of the Unrestricted Net Position has been designated for Capital Improvement Program projects and Federal and State Mandated expenses totaling \$2,684,183, a decline of \$1,330,916 from the 2014 amount of \$4,015,099. Unrestricted Net Position amounts that are undesignated increased by \$33,157 from \$8,555,002 to \$8,588,159. Total Net Position increased by \$778,992 from \$59,202,124 to \$59,981,116.

FINANCIAL HIGHLIGHTS - SEWER FUND

Current Unrestricted Assets decreased by \$2,512,566 from \$9,349,510 to \$6,836,944. Restricted Assets decreased by \$37,591 from \$227,800 to \$190,209. Non-Current Investments increased by \$1,561,118 from \$0 in 2014 to \$1,561,118 in 2015. Net Capital Assets increased by \$2,703,238 from \$16,729,427 to \$19,432,665 as the additions to Capital Assets increased more than Accumulated Depreciation. The District's major expenditures were \$40,089 on Base Facilities Design, \$2,762,539 on Base Facilities Construction, \$13,424 on the Park Maintenance Building and \$614,652 on the Dollar Hill 22" Sewer Main Replacement project. The Funding of the Base Facilities project is from Sewer Reserves as pursuant to Board direction as part of its financial strategy to reduce reserves to levels that align with minimum /maximum goals. The increase in the net Capital Asset amount was reduced by the \$911,241 increase in Accumulated Depreciation. Current Liabilities (Payable from Current Assets) increased by \$109,050 from \$500,819 to \$609,869. Current Liabilities (Payable from Restricted Assets) increased by \$923,471 from \$14,105 in 2014 to \$937,576 which was attributable to the construction of the Base Facility. As a result of the adoption of GASB 68 reporting requirements, Long-Term Liabilities now includes a net pension liability of \$176,730. In addition, Deferred Pension Inflows of \$154,991 was recorded for FYE 2015. The amount of Unrestricted Net Position decreased by \$1,097,391 going from \$8,848,691 to \$7,751,300. Total Net Position increased by \$644,786, from \$25,791,813 to \$26,436,599. The increase was net of a (\$71,434) Prior Period Adjustment per Implementation of GASB 68 (Note 12). Operating Revenues decreased by \$21,236 from \$1,522,656 to \$1,501,420. Total Operating Expenses were \$242,796 higher than 2014. Property Tax revenue of \$4,028,425 is \$342,831 more than the prior year. In 2015, investment income decreased by \$21,790.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

FINANCIAL HIGHLIGHTS - WATER FUND

Current Assets decreased by \$91,083 from \$3,609,918 to \$3,518,835. Restricted Assets increased by \$479,119, from \$271,010 to \$750,129. Capital Assets net of Accumulated Depreciation increased by \$155,590 as the \$1,041,308 spent on Capital Assets exceeded the \$885,718 increase in Accumulated Depreciation by \$155,590. Major Capital Improvement Program projects and their costs included the Tank Booster Demo and Creek Restoration, \$263,418, Kings Beach Commercial Core Waterline Relocation, \$131,500, Canterbury Water Main Replacement Project Phase 1, \$426,128 and the Kings Beach Watershed Improvements (Water portion), \$90,129. Current Liabilities (Payable from Current Assets) decreased by \$2,402 from \$431,996 to \$429,594. Current Liabilities (Payable from Restricted Assets) increased by \$28,323 from \$104,256 to \$132,579. Noncurrent Liabilities decreased by \$230,161 from \$3,947,528 to \$3,717,367 as a result of the annual principal payments on the debt offset by the recording of a Net Pension Liability of \$62,711 as a result of the adoption of GASB 68 reporting requirements. In addition, Deferred Pension Inflows of \$54,997 was recorded for FYE 2015 (Note 5). The amount of Unrestricted Net Position decreased by \$90,538 from \$3,459,560 to \$3,369,022. Total Net Position increased by \$797,486 bringing the new amount to \$18,867,014. Operating Revenues were lower by \$131,362 or 3%, a result of State mandated water conservation measures. Total Operating Expenses increased by \$284,709 from 2014. Grant revenue was \$184,812 higher than the prior year with \$320,275 in 2015 compared to the \$135,463 earned in 2014. Interest expense was \$20,825 lower in 2015 as the principal on District debt declines.

FINANCIAL HIGHLIGHTS - RECREATION FUND

Current Assets decreased by \$74,151 from \$360,870 to \$286,719. Restricted Assets decreased by \$7,700 to \$38,353. Capital Assets net of Accumulated Depreciation decreased by \$539,546 to \$14,493,334 as the \$556,315 increase in Accumulated Depreciation exceeded increases in Capital Assets. Current Liabilities (Payable from Current Assets) increased by \$26,158 from \$99,020 to \$125,178. Current Liabilities (Payable from Restricted Assets) increased by \$6,204 from \$0 to \$6,204. The Total Net Position decreased by \$663,280 from \$15,340,783 to \$14,677,503. The amount Net Position that is Unrestricted decreased by \$109,830 to close at \$152,020. Recreation Events and Program Revenues of \$655,625 were \$341,274 lower than the \$996,899 earned in 2014. This drop in revenue was primarily due to the state of California's decision to terminate its facility maintenance contracts with the District in May of 2014. This affected the Kings Beach State Recreation Area, several California Tahoe Conservancy properties and the Coon Street Boat Ramp. Total Operating Expenses decreased by \$379,895. The Recreation assessment called Community Facilities District 94 -1 (CFD 94-1) brought in \$589,132 in 2015, \$33,440, or 6% more than 2014. Grant revenue was \$60,236 lower than 2014 because the grant funded projects were less having only the TVRA Lakeside Drainage Pond in 2015 as opposed to the TVRA Parking Area project that was built in 2014.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

OVERVIEW OF THE FINANCIAL HIGHLIGHTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

The most common financial question posed to the District is "How did we do financially during 2014/2015?" The Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's Net Position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's Net Position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

NET POSITION

To begin our analysis, a summary of the District's Net Position is presented in Table A-1.

	FYE 6/30/2015	FYE 6/30/2014	Change in Dollars	Percent Change
Current Assets	\$ 10,642,498	\$ 13,320,298	(\$ 2,677,800)	-20%
Restricted Assets	978,691	544,863	433,828	80%
Investments-Non-Current Portion	1,561,118		1,561,118	100%
Net Capital Assets	52,753,969	50,434,687	2,319,282	5%
Deferred Pension Outflows (Note 5)	475,530		475,530	100%
Total Assets and Deferred Outflows of Resources	\$ 66,411,806	\$ 64,299,848	\$ 2,111,958	3%
Current Liabilities Unrestricted	\$ 1,164,641	\$ 1,031,835	\$ 132,806	13%
Current Liabilities Restricted	1,076,359	118,361	957,998	809%
Long Term Liabilities	3,939,704	3,947,528	(7,824)	0%
Deferred Pension Inflows (Note 5)	249,986		249,986	100%
Total Liabilities and Deferred Inflows of Resources	\$ 6,430,690	\$ 5,097,724	\$ 1,332,966	26%
Net Investment in Capital Assets	\$ 48,806,441	\$ 46,205,521	\$ 2,600,920	6%
Restricted for Capital Outlay	(97,667)	426,502	(524,169)	-123%
Unrestricted (Designated for Board Reserves)	2,684,183	4,015,099	(1,330,916)	-33%
Unrestricted (Undesignated)	8,588,159	8,555,002	33,157	0%
Total Net Position	\$ 59,981,116	\$ 59,202,124	\$ 778,992	1%

As can be seen from the table above, Net Position grew by \$778,992 from \$59,202,124 to \$59,981,116. The makeup of Net Position changed as amounts invested in Capital Assets increased by \$2,600,920 or 6%, while amounts Restricted for Capital Outlay decreased by \$524,169 due to the Accounts Payable related to Capital Projects exceeding current assets. While amounts Unrestricted (Designated for Board Reserves) decreased by \$1,330,916, dropping from \$4,015,099 to \$2,684,183, Unrestricted (Undesignated) increased by \$33,157 rising from \$8,555,002 in 2014 to \$8,588,159 in 2015.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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

	FYE 6/30/15	FYE 6/30/14	Change in Dollars	Percent Change
Operating Revenues	\$ 6,043,078	\$ 6,536,950	(\$ 493,872)	- 8%
Operating Expenses	<u>10,207,244</u>	<u>10,059,634</u>	<u>147,610</u>	1%
Net Operating Loss	(\$ 4,164,166)	(\$ 3,522,684)	(\$ 641,482)	18%
Property Tax Revenues	\$ 4,617,557	\$ 4,241,286	\$ 376,271	9%
Other Non-Operating Revenues and Expenses	<u>280,596</u>	<u>70,867</u>	<u>209,729</u>	296%
Non-Operating Revenues and Expenses	<u>\$ 4,898,153</u>	<u>\$ 4,312,153</u>	<u>\$ 586,000</u>	14%
Income Before Capital Contributions	\$ 733,987	\$ 789,469	(\$ 55,482)	- 7%
Capital Contributions	<u>160,220</u>	<u>106,208</u>	<u>54,012</u>	51%
Change in Net Position	<u>\$ 894,207</u>	<u>\$ 895,677</u>	<u>(\$ 1,470)</u>	0%
Net Position, Beginning of Year, before Restatement	\$ 59,202,124	\$ 58,306,447	\$ 895,677	2%
Prior Period Adjustment per Implementation of GASB 68 (Note 12)	<u>(115,215)</u>	<u> </u>	<u>(\$ 115,215)</u>	100%
Total Net Position, Beginning of Year, after Restatement	<u>59,086,909</u>	<u>58,306,447</u>	<u>780,462</u>	1%
Total Net Position, Ending of Year	<u>\$ 59,981,116</u>	<u>\$ 59,202,124</u>	<u>\$ 778,992</u>	1%

While the Statement of Net Position shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, Revenues exceeded Expenses in both years, increasing Net Position. The increase in Net Position of \$894,207 in FY 2015 was \$1,470 less than the increase in FY 2014 due to increase in Property Tax Revenues and Other Non-Operating Revenues exceeding the decrease of \$493,872 in Operating Revenues and an increase in Operating Expenses of \$147,610. Capital Contributions increased from \$106,208 in 2014 to \$160,220 in 2015.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

BUDGETARY HIGHLIGHTS

The District adopts an annual Operating Budget. The Operating Budget includes proposed expenses and the means of financing them. The District's operating budget includes the original budget and all budget adjustments approved during the year.

A 2015 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Operating Revenues	\$ 6,256,773	\$ 6,043,078	(\$ 213,695)
Operating Expenses	<u>10,206,817</u>	<u>10,207,244</u>	<u>(427)</u>
Net Operating Loss	(\$ 3,950,044)	(\$ 4,164,166)	(\$ 214,122)
Property Tax Revenues	\$ 4,305,900	\$ 4,617,557	\$ 311,657
Other Non-Operating Revenues and Expenses	<u>403,321</u>	<u>280,596</u>	<u>(122,725)</u>
Non-Operating Revenues and Expenses	<u>\$ 4,709,221</u>	<u>\$ 4,898,153</u>	<u>(\$ 188,932)</u>
Income Before Capital Contributions	\$ 759,177	\$ 733,987	(\$ 25,190)
Capital Contributions	<u>67,000</u>	<u>160,220</u>	<u>93,220</u>
Change in Net Position	<u>\$ 826,177</u>	<u>\$ 894,207</u>	<u>\$ 68,030</u>

Operating Revenues of \$6,043,078 trailed the Budget of \$6,256,773 creating an unfavorable variance of \$213,695. Included in Operating Revenue are Service Charges which were \$130 less than expected and Recreation Events and Programs which is under its budget of \$870,200 by \$213,825. Property Taxes/CFD 94-1 revenues surpassed the budgeted amount by \$311,657. Capital Contributions of \$160,220 were \$93,220 more than budgeted. Operating Expenses of \$10,207,244 were comparable with a budgeted amount of \$10,206,817.

North Tahoe Public Utility District

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2015

CAPITAL ASSETS

Table A-4
Condensed Statement of Fixed Assets

	FYE 6/30/2015	FYE 6/30/2014	Change in Dollars	Percent Change
Fixed Assets	\$ 94,139,918	\$ 90,991,986	\$ 3,147,932	3%
Construction in Process	<u>5,099,564</u>	<u>3,574,940</u>	<u>1,524,624</u>	43%
	<u>\$ 99,239,482</u>	<u>\$ 94,566,926</u>	<u>\$ 4,672,556</u>	5%
Accumulated Depreciation	(<u>46,485,513</u>)	(<u>44,132,239</u>)	(<u>2,353,274</u>)	5%
Net Capital Assets	<u>\$ 52,753,969</u>	<u>\$ 50,434,687</u>	<u>\$ 2,319,282</u>	5%

At the end of fiscal year 2015, the District had \$52,753,969 invested in capital assets as shown in Table A-4. Fixed Assets grew by \$2,319,282 or 5%, net of increases in accumulated depreciation of \$2,353,274. The increase in Fixed Assets included an increase in Construction in Process for the Base Facility Project in the amount of \$2,762,539. Other projects on which the District expended money include the Dollar Hill 22” Force Main Rehabilitation project at \$614,652; Base Facilities Design at \$40,089, Kings Beach Watershed Improvements (Sewer portion) at \$39,955, Tank Booster Demo and Creek Restoration, \$263,418, Kings Beach Commercial Core Waterline Relocation, \$131,500, Canterbury Water Main Replacement Project Phase 1, \$426,128 and the Kings Beach Watershed Improvements (Water portion), \$90,129. Accumulated depreciation grew by \$2,353,274.

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Larry Marple, Chief Financial Officer, North Tahoe Public Utility District, P.O. Box 139 Tahoe Vista, CA 96148-0139 or by phone at (530) 546-4212 or by email at lmarple@ntpud.org.

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

Assets:	Sewer	Water	Recreation	Total 2015	Sewer	Water	Recreation	Total 2014
Current Assets:								
Cash and Cash Equivalents	\$ 5,506,772	\$ 3,471,230	\$ 254,713	\$ 9,232,715	\$ 8,675,852	\$ 3,502,713	\$ 325,311	\$ 12,503,876
Investments	472,488			472,488	137,193			137,193
Accounts Receivable	419,697	47,605	30,293	497,595	232,029	107,205	32,998	372,232
Inventory	285,961		1,713	287,674	298,798		2,561	301,359
Deposits and Prepaid Expenses	152,026			152,026	5,638			5,638
Total Current Assets	<u>\$ 6,836,944</u>	<u>\$ 3,518,835</u>	<u>\$ 286,719</u>	<u>\$ 10,642,498</u>	<u>\$ 9,349,510</u>	<u>\$ 3,609,918</u>	<u>\$ 360,870</u>	<u>\$ 13,320,298</u>
Restricted Assets:								
Cash and Cash Equivalents	\$ 190,209	\$ 445,936	\$ 22,592	\$ 658,737	\$ 227,800	\$ 150,048	\$ 33,020	\$ 410,868
Accounts Receivable		304,193	5,263	309,456		120,962	(3,206)	117,756
Deposits and Prepaid Expenses			10,498	10,498			16,239	16,239
Total Restricted Assets	<u>\$ 190,209</u>	<u>\$ 750,129</u>	<u>\$ 38,353</u>	<u>\$ 978,691</u>	<u>\$ 227,800</u>	<u>\$ 271,010</u>	<u>\$ 46,053</u>	<u>\$ 544,863</u>
Non-Current Assets:								
Investments	\$ 1,561,118			\$ 1,561,118				
Capital Assets, Net of Accumulated Depreciation	19,432,665	18,827,970	14,493,334	52,753,969	16,729,427	18,672,380	15,032,880	50,434,687
Total Non-Current Assets	<u>\$ 20,993,783</u>	<u>\$ 18,827,970</u>	<u>\$ 14,493,334</u>	<u>\$ 54,315,087</u>	<u>\$ 16,729,427</u>	<u>\$ 18,672,380</u>	<u>\$ 15,032,880</u>	<u>\$ 50,434,687</u>
Total Assets	<u>\$ 28,020,936</u>	<u>\$ 23,096,934</u>	<u>\$ 14,818,406</u>	<u>\$ 65,936,276</u>	<u>\$ 26,306,737</u>	<u>\$ 22,553,308</u>	<u>\$ 15,439,803</u>	<u>\$ 64,299,848</u>
Deferred Outflows of Resources:								
Deferred Pension Outflows (Note 5)	\$ 294,829	\$ 104,617	\$ 76,085	\$ 475,530	\$	\$	\$	\$
Total Deferred Outflows of Resources	<u>\$ 294,829</u>	<u>\$ 104,617</u>	<u>\$ 76,085</u>	<u>\$ 475,530</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

For the Fiscal Years Ended June 30, 2015 and 2014

<u>Liabilities:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2015</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2014</u>
Current Liabilities (Payable from Current Assets):								
Accounts Payable	\$ 59,728	\$ 9,949	\$ 6,182	\$ 75,859	\$ 57,873	\$ 21,308	\$ 24,636	\$ 103,817
Accrued Liabilities	550,141	126,773	118,996	795,910	442,946	129,050	74,384	646,380
Current Portion of Long-Term Debt		292,872		292,872		281,638		281,638
Total Current Liabilities (Payable from Current Assets)	<u>\$ 609,869</u>	<u>\$ 429,594</u>	<u>\$ 125,178</u>	<u>\$ 1,164,641</u>	<u>\$ 500,819</u>	<u>\$ 431,996</u>	<u>\$ 99,020</u>	<u>\$ 1,031,835</u>
Current Liabilities (Payable from Restricted Assets):								
Accounts Payable	<u>\$ 937,576</u>	<u>\$ 132,579</u>	<u>\$ 6,204</u>	<u>\$ 1,076,359</u>	<u>\$ 14,105</u>	<u>\$ 104,256</u>	<u>\$</u>	<u>\$ 118,361</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 937,576</u>	<u>\$ 132,579</u>	<u>\$ 6,204</u>	<u>\$ 1,076,359</u>	<u>\$ 14,105</u>	<u>\$ 104,256</u>	<u>\$ 0</u>	<u>\$ 118,361</u>
Total Current Liabilities	<u>\$ 1,547,445</u>	<u>\$ 562,173</u>	<u>\$ 131,382</u>	<u>\$ 2,241,000</u>	<u>\$ 514,924</u>	<u>\$ 536,252</u>	<u>\$ 99,020</u>	<u>\$ 1,150,196</u>
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	\$	\$ 3,654,656	\$	\$ 3,654,656	\$	\$ 3,947,528	\$	\$ 3,947,528
Net Pension Liability (Note 5)	<u>176,730</u>	<u>62,711</u>	<u>45,608</u>	<u>285,048</u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Long-Term Liabilities	<u>\$ 176,730</u>	<u>\$ 3,717,367</u>	<u>\$ 45,608</u>	<u>\$ 3,939,704</u>	<u>\$ 0</u>	<u>\$ 3,947,528</u>	<u>\$ 0</u>	<u>\$ 3,947,528</u>
Total Liabilities	<u>\$ 1,724,175</u>	<u>\$ 4,279,540</u>	<u>\$ 176,990</u>	<u>\$ 6,180,704</u>	<u>\$ 514,924</u>	<u>\$ 4,483,780</u>	<u>\$ 99,020</u>	<u>\$ 5,097,724</u>
<u>Deferred Inflows of Resources:</u>								
Deferred Pension Inflows (Note 5)	<u>\$ 154,991</u>	<u>\$ 54,997</u>	<u>\$ 39,998</u>	<u>\$ 249,986</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Deferred Inflows of Resources	<u>\$ 154,991</u>	<u>\$ 54,997</u>	<u>\$ 39,998</u>	<u>\$ 249,986</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Net Position:</u>								
Net Investment in Capital Assets	\$ 19,432,665	\$ 14,880,442	\$ 14,493,334	\$ 48,806,441	\$ 16,729,427	\$ 14,443,214	\$ 15,032,880	\$ 46,205,521
Restricted for:								
Capital Outlay	(747,366)	617,550	32,149	(97,667)	213,695	166,754	46,053	426,502
Unrestricted	<u>7,751,300</u>	<u>3,369,022</u>	<u>152,020</u>	<u>11,272,342</u>	<u>8,848,691</u>	<u>3,459,560</u>	<u>261,850</u>	<u>12,570,101</u>
Total Net Position	<u>\$ 26,436,599</u>	<u>\$ 18,867,014</u>	<u>\$ 14,677,503</u>	<u>\$ 59,981,116</u>	<u>\$ 25,791,813</u>	<u>\$ 18,069,528</u>	<u>\$ 15,340,783</u>	<u>\$ 59,202,124</u>

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

North Tahoe Public Utility District

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2015 and 2014

Operating Revenues:	Sewer	Water	Recreation	Total 2015	Sewer	Water	Recreation	Total 2014
Service Charges	\$ 1,501,420	\$ 3,885,283	\$	\$ 5,386,703	\$ 1,522,656	\$ 4,016,645	\$	\$ 5,539,301
Recreation Events and Programs		750	655,625	656,375		750	996,899	997,649
Total Operating Revenues	\$ 1,501,420	\$ 3,886,033	\$ 655,625	\$ 6,043,078	\$ 1,522,656	\$ 4,017,395	\$ 996,899	\$ 6,536,950
 Operating Expenses:								
Direct Operating Expenses	\$ 1,945,289	\$ 1,758,265	\$ 1,314,194	\$ 5,017,748	\$ 1,922,990	\$ 1,637,960	\$ 1,617,424	\$ 5,178,374
Administration and General	2,097,287	700,087	38,848	2,836,222	1,887,145	582,750	111,998	2,581,893
Depreciation	911,241	885,718	556,315	2,353,274	900,886	838,651	559,830	2,299,367
Total Operating Expenses	\$ 4,953,817	\$ 3,344,070	\$ 1,909,357	\$ 10,207,244	\$ 4,711,021	\$ 3,059,361	\$ 2,289,252	\$ 10,059,634
Operating Income/(Loss)	(\$ 3,452,397)	\$ 541,963	(\$ 1,253,732)	(\$ 4,164,166)	(\$ 3,188,365)	\$ 958,034	(\$ 1,292,353)	(\$ 3,522,684)
 Non-Operating Revenue (Expense):								
Property Taxes/CFD 94-1	\$ 4,028,425	\$	\$ 589,132	\$ 4,617,557	\$ 3,685,594	\$	\$ 555,692	\$ 4,241,286
Investment Income	22,402	15,712	13,144	51,258	44,192	9,422	695	54,309
Grants	48,033	320,275	8,469	376,777		135,463	68,705	204,168
Miscellaneous/Gain on Property Sale	84,681	2,445	3,824	90,950	73,609		(2,436)	71,173
Interest Expense		(159,663)		(159,663)		(180,488)		(180,488)
Fiscal Agent Fees	(73,043)		(5,683)	(78,726)	(71,631)	(1,400)	(5,264)	(78,295)
Total Non-Operating Revenue	\$ 4,110,498	\$ 178,769	\$ 608,886	\$ 4,898,153	\$ 3,731,764	(\$ 37,003)	\$ 617,392	\$ 4,312,153
Income (Loss) Before Contributions	\$ 658,101	\$ 720,732	(\$ 644,846)	\$ 733,987	\$ 543,399	\$ 921,031	(\$ 674,961)	\$ 789,469
Capital Contributions - Connection Fees (Refunds)	44,560	85,709		130,269	53,789	51,439		105,228
Capital Contributions - Infrastructure	13,559	16,392		29,951	980			980
Change in Net Position	\$ 716,220	\$ 822,833	(\$ 644,846)	\$ 894,207	\$ 598,168	\$ 972,470	(\$ 674,961)	\$ 895,677
Net Position, Beginning of Year, before Restatement	\$ 25,791,813	\$ 18,069,528	\$ 15,340,783	\$ 59,202,124	\$ 25,193,645	\$ 17,097,058	\$ 16,015,744	\$ 58,306,447
Prior Period Adjustment per Implementation of GASB 68 (Note 12)	(71,434)	(25,347)	(18,434)	(115,215)				
Total Net Position, Beginning of Year, after Restatement	\$ 25,720,379	\$ 18,044,181	\$ 15,322,349	\$ 59,086,909	\$ 25,193,645	\$ 17,097,058	\$ 16,015,744	\$ 58,306,447
Total Net Position, Ending of Year	\$ 26,436,599	\$ 18,867,014	\$ 14,677,503	\$ 59,981,116	\$ 25,791,813	\$ 18,069,528	\$ 15,340,783	\$ 59,202,124

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

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2015 and 2014

<u>Cash Flows from Operating Activities:</u>	Sewer	Water	Recreation	Total 2015	Sewer	Water	Recreation	Total 2014
Receipts from Customers	\$ 1,516,640	\$ 3,944,883	\$ 658,330	\$ 6,119,853	\$ 1,534,127	\$ 4,105,093	\$ 693,827	\$ 6,333,047
Paid to Suppliers for Goods and Services	(1,936,031)	(1,792,046)	(788,266)	(4,516,343)	(1,873,157)	(1,889,296)	(760,132)	(4,522,585)
Paid to Employees for Services	(2,131,046)	(667,833)	(532,029)	(3,330,908)	(1,835,180)	(629,830)	(539,991)	(3,005,001)
Net Cash Provided (Used) by Operating Activities	(\$ 2,550,437)	\$ 1,485,004	(\$ 661,965)	(\$ 1,727,398)	(\$ 2,174,210)	\$ 1,585,967	(\$ 606,296)	(\$ 1,194,539)
 <u>Cash Flows from Noncapital Financing Activities:</u>								
Property Taxes Collected	\$ 3,852,585	\$	\$ 589,132	\$ 4,441,717	\$ 3,685,594	\$	\$ 555,692	\$ 4,241,286
Fiscal Agent Fees	(73,043)		(5,683)	(78,726)				
Other Non-Operating Revenues/(Expenses)	84,681	(4,778)	(5,089)	74,814	73,609		(2,436)	71,173
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 3,864,223	(\$ 4,778)	\$ 578,360	\$ 4,437,805	\$ 3,759,203	\$ 0	\$ 553,256	\$ 4,312,459
 <u>Cash Flows from Capital and Related Financing Activities:</u>								
Acquisition of Capital Assets	(\$ 2,691,006)	(\$ 1,012,985)	(\$ 10,565)	(\$ 3,714,556)	(\$ 2,909,005)	(\$ 582,369)	(\$ 107,269)	(\$ 3,598,643)
Proceeds from Sale of Capital Assets					810,000			810,000
Capital Grants Received		137,044		137,044		135,463	68,705	204,168
Principal Paid on Bonds and Notes		(281,638)		(281,638)		(945,834)		(945,834)
Interest Paid on Bonds and Notes		(159,663)		(159,663)		(180,488)		(180,488)
Fiscal Agent Fees					(71,631)	(1,400)	(5,264)	(78,295)
Contributed Capital - Connection Fees	44,560	85,709		130,269	53,789	51,439		105,228
Net Cash Used by Capital and Related Financing Activities	(\$ 2,646,446)	(\$ 1,231,533)	(\$ 10,565)	(\$ 3,888,544)	(\$ 2,116,847)	(\$ 1,523,189)	(\$ 43,828)	(\$ 3,683,864)
 <u>Cash Flows from Investing Activities:</u>								
(Purchase)Sale of Investments	(\$ 1,896,413)	\$	\$	(\$ 1,896,413)	(\$ 115,724)	\$ 602,500	\$	\$ 486,776
Interest on Investments	22,402	15,712	13,144	51,258	44,192	9,422	695	54,309
Net Cash Provided(Used) by Investing Activities	(\$ 1,874,011)	\$ 15,712	\$ 13,144	(\$ 1,845,155)	(\$ 71,532)	\$ 611,922	\$ 695	\$ 541,085
Net Increase (Decrease) in Cash	(\$ 3,206,671)	\$ 264,405	(\$ 81,026)	(\$ 3,023,292)	(\$ 603,386)	\$ 674,700	(\$ 96,173)	(\$ 24,859)

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

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2015 and 2014

	Sewer	Water	Recreation	Total 2015	Sewer	Water	Recreation	Total 2014
Balance Forward	(\$ 3,206,671)	\$ 264,405	(\$ 81,026)	(\$ 3,023,292)	(\$ 603,386)	\$ 674,700	(\$ 96,173)	(\$ 24,859)
Cash and Cash Equivalents, Beginning of Year	8,903,652	3,652,761	358,331	12,914,744	9,507,038	2,978,061	454,504	12,939,603
Cash and Cash Equivalents, End of Year	<u>\$ 5,696,981</u>	<u>\$ 3,917,166</u>	<u>\$ 277,305</u>	<u>\$ 9,891,452</u>	<u>\$ 8,903,652</u>	<u>\$ 3,652,761</u>	<u>\$ 358,331</u>	<u>\$ 12,914,744</u>
<u>Cash and Cash Equivalents as Presented on the Statement of Net Assets:</u>								
Current Assets: Cash and Cash Equivalents	\$ 5,506,772	\$ 3,471,230	\$ 254,713	\$ 9,232,715	\$ 8,675,852	\$ 3,502,713	\$ 325,311	\$ 12,503,876
Restricted Assets: Cash and Cash Equivalents	190,209	445,936	22,592	658,737	227,800	150,048	33,020	410,868
	<u>\$ 5,696,981</u>	<u>\$ 3,917,166</u>	<u>\$ 277,305</u>	<u>\$ 9,891,452</u>	<u>\$ 8,903,652</u>	<u>\$ 3,652,761</u>	<u>\$ 358,331</u>	<u>\$ 12,914,744</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities:</u>								
Operating Income/(Loss)	(\$ 3,452,397)	\$ 541,963	(\$ 1,253,732)	(\$ 4,164,166)	(\$ 3,188,365)	\$ 958,034	(\$ 1,292,353)	(\$ 3,522,684)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	911,241	885,718	556,315	2,353,274	900,886	838,651	559,830	2,299,367
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:								
(Gain)/Loss on Disposal of Assets					2,365			2,365
Changes in Certain Assets and Liabilities (Increase)/Decrease in:								
Accounts Receivable	15,220	59,600	2,705	77,525	11,471	(88,448)	303,072	226,095
Inventory	12,837		848	13,685	(18,930)		1,848	(17,082)
Deposits and Prepaid Expenses	(146,388)		5,741	(140,647)				
Increase/(Decrease) in:								
Cash and Cash Equivalents (Book Overdraft)							(161,463)	(161,463)
Accounts Payable	1,855		(18,454)	(16,599)	(16,327)	(95,157)	(3,852)	(115,336)
Accrued Liabilities	107,195	(2,277)	44,612	149,530	134,690	(27,113)	(13,378)	94,199
Net Cash Provided/(Used) by Operating Activities	<u>(\$ 2,550,437)</u>	<u>\$ 1,485,004</u>	<u>(\$ 661,965)</u>	<u>(\$ 1,727,398)</u>	<u>(\$ 2,174,210)</u>	<u>\$ 1,585,967</u>	<u>(\$ 606,296)</u>	<u>(\$ 1,194,539)</u>

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

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2015 and 2014

<u>Noncash Transactions</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2015</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2014</u>
<u>Prior Period Adjustment</u>								
Increase in Net Pension Liability	\$ 176,730	\$ 62,711	\$ 45,608	\$ 285,048	\$	\$	\$	\$
Deferred Pension Inflows	154,991	54,997	39,998	249,986				
Deferred Pension Outflows	(294,829)	(104,617)	(76,085)	(475,530)				
Pension Expense	<u>34,541</u>	<u>12,256</u>	<u>8,914</u>	<u>55,711</u>				
Prior Period Adjustment (Note 12)	<u>\$ 71,433</u>	<u>\$ 25,347</u>	<u>\$ 18,434</u>	<u>\$ 115,215</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Capital and Related Financing Activities</u>								
Acquisition of Capital Assets	\$ 3,614,477	\$ 1,041,308	\$ 16,769	\$ 4,672,554	\$ 2,678,418	\$ 663,546	\$ 107,269	\$ 3,449,233
(Increase)/Decrease in Accounts Payable	(923,471)	(28,323)	(6,204)	(957,998)	230,587	(81,177)		149,410
Cash Used for Acquisition of Capital Assets	<u>\$ 2,691,006</u>	<u>\$ 1,012,985</u>	<u>\$ 10,565</u>	<u>\$ 3,714,556</u>	<u>\$ 2,909,005</u>	<u>\$ 582,369</u>	<u>\$ 107,269</u>	<u>\$ 3,598,643</u>
<u>Capital Contributed by Developers</u>								
Contributions of Capital to the District	\$ 58,119	\$ 102,101	\$	\$ 160,220	\$ 54,769	\$ 51,439	\$	\$ 106,208
Less - Contribution of Land and Improvements	(13,559)	(16,392)		(29,951)	(980)			(980)
Cash Provided by Contributions	<u>\$ 44,560</u>	<u>\$ 85,709</u>	<u>\$ 0</u>	<u>\$ 130,269</u>	<u>\$ 53,789</u>	<u>\$ 51,439</u>	<u>\$ 0</u>	<u>\$ 105,228</u>

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the North Tahoe Public Utility District conform to generally accepted accounting principles as applied to governmental units. The following is a summary of significant policies:

- A. Organization and Description of the District - The North Tahoe Public Utility District was organized in 1948 for the principal purpose of providing sewage collection and treatment facilities for the residents of the area.

The District began providing water services in 1967 with the acquisition of the Brockway Water Company, and has since then acquired several small water companies. In 1970, the District established a department for recreational activities. Under its broad powers of service, the District also provides street lighting.

The general area of the District is located along approximately seven miles of the north shore of Lake Tahoe from the Nevada state line at Crystal Bay to the boundaries of the Tahoe City Public Utility District at Dollar Point, California.

Principles Determining Scope of Reporting Entity - The District has developed criteria to determine whether outside agencies with activities which benefit the citizens of the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships.

Based on these criteria, the District (the oversight unit) has included in these financial statements the North Tahoe Building Corporation, a California nonprofit public benefit corporation. The following facts were considered in forming that conclusion. The Corporation is controlled by the same governing authority, utilizes the same management, and is financially dependent upon the District. Its operations are influenced by the District and the District is responsible for its fiscal management, budgetary control, surpluses and deficits, and provides the sole source of its revenues. The Corporation provides financing for the District's renovation of its sewer, water and recreation systems. The water system is the only debt still outstanding. Separate financial statements for the individual component unit may be obtained by contacting Larry Marple, Chief Financial Officer, North Tahoe Public Utility District, P.O. Box 139, Tahoe Vista, CA 96148-0139.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- A. Principles Determining Scope of Reporting Entity (Continued) - One entity which is not part of the District's reporting entity but was in part created by the District for special purposes is accounted for as a jointly governed organization. Additional information regarding the District's jointly governed organization is provided in Note 10. The following is a description of the jointly owned organization in which the District participates.

The Special District Risk Management Authority (SDRMA) was created by a Joint Exercise of Powers Agreement between the North Tahoe Public Utility District and several other member Districts. The Authority is organized as a separate and distinct public entity and is governed by a Board of Directors elected by the member entities. The governing board appoints its own management and approves its own budget.

- B. Measurement Focus and Basis of Accounting - The term measurement focus is used to denote what is being measured and reported in the District's operating statement. The District is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the District is better or worse off economically as a result of events and transactions of the period.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the District's operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

- C. Financial Statements Presentation - The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to its business-type activities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses) for the determination of major funds. The District reports the three major funds. The Sewer Fund is an enterprise fund that is used to account for the District's provision of sewer and related services. The Water Fund is an enterprise fund that is used to account for the District's provision of water and related services. The Recreation Fund is an enterprise fund that is used to account for the District's provision of recreation related services, including the Conference Center. Interfund activity between these funds has been eliminated in the financial statement presentation.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

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. GASB 34 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:

- *Net Investment in Capital Assets* - This component of net position 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2015 and 2014, the District has debt related to capital assets of \$3,947,528 and \$4,229,166, respectively.
- *Restricted* - This component of net position consists of constraints placed on net position 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 position* - This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

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.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- D. Cash and Cash Equivalents - Cash for all enterprise funds is pooled, and investment earnings from savings accounts, certificates of deposit and other investments are allocated to the various funds based on their individual investment in the selected investment vehicle. For the purposes of the statement of cash flows, the District considers all cash, certificates of deposit and savings, and cash with fiscal agents (including restricted assets) with a maturity of one year or less when purchased to be cash equivalents. (See Note 2 for additional disclosures of District deposits and investments).
- E. Accounts Receivable - Service charges receivable, a component of accounts receivable, are sent to the county annually to be placed on the tax rolls for collection. Therefore, no allowance for uncollectible fees is provided.
- F. Investments - Investments in securities with readily determinable fair values, external investment pools, open-end mutual funds, long-term certificates of deposits and debt securities are valued at their fair values in the statement of net position. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net assets. For the fiscal years ended June 30, 2015 and 2014, fair value of the District's investments approximated cost.
- G. Inventory - Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The cost is recorded as an expense as inventory items are consumed.
- H. 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, or the appraised value at the time received in the case of gifts. Maintenance and repairs are charged to expense as incurred. Replacements which improve or extend the lives of property are capitalized. Costs of retired assets are removed from the asset accounts in the year of sale or retirement.
- I. Depreciation - Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Utility Plant	30 - 50 Years
Machinery and Equipment	5 - 15 Years
- J. 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.

Property tax revenues are recognized in the fiscal period for which they are levied and in which they become available.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

K. 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.

L. Designations of Net Position - Designations of Net Position Restricted for Board Reserves are used to show the amounts within unrestricted net position which the Board has designated for specific purposes, but are not legally restricted. The designated balances at June 30, 2015 and 2014 are as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total</u>
June 30, 2015	\$ 830,928	\$ 1,853,255	\$	\$ 2,684,183
June 30, 2014	\$ 1,370,428	\$ 2,603,925	\$ 40,746	\$ 4,015,099

M. Compensated Absences - A total of 10 to 20 days' vacation and 12 days of sick leave per year may be accumulated by each employee. Employees are paid between 30% and 100% of their accumulated sick leave depending upon the nature of their termination. A maximum of two times the employee's annual rate of vacation may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the District has accrued a liability for vacation and sick pay which has been earned but not taken by District employees. The liability for compensated absences is recorded as an accrued liability in accordance with GASB Statement 16. At June 30, 2015, the recorded liability was \$294,785 and at June 30, 2014 was \$261,153. These amounts are reported as a component of accrued liabilities payable from current assets.

N. Budgetary Control - The Board adopts an operating budget at the beginning of each year.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- O. Pension Plan - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For more information on this plan, see Note 5.
- P. Risk Pools - The District is a member of the Special District Risk Management Authority (SDRMA) which provides workers' compensation coverage. All costs are currently recorded as operating expenses.
- Q. Interfund Transfers - The permanent reallocation of resources between funds are classified as interfund transfers.
- R. Accounting Pronouncements that have been Implemented in the Current Financial Statements:

In June 2012, the GASB issued Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014; therefore, the District implemented this Statement in fiscal year ended June 30, 2015, which required a restatement to the District's financial statements. The financial statements for fiscal year ended June 30, 2014 could not be restated as the information required to do so was not readily available. See Note 5 for additional information.

In November 2013, the GASB issued Statement No. 71 - *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the District implemented this Statement in fiscal year ended June 30, 2015, along with GASB 68 as discussed above.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

S. Newly Issued Accounting Pronouncements, But Not Yet Effective:

GASB has issued several pronouncements prior to June 30, 2015, that have effective dates that impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72 - In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 73 - In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans as pensions that are within their respective scopes. The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

S. Newly Issued Accounting Pronouncements, But Not Yet Effective (Continued):

Governmental Accounting Standards Board Statement No. 76 - In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP. This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 77 - In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

T. Deferred Outflow/Deferred Inflow of Resources:

In addition to assets, the financial statements report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources. Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 5 for further details related to these pension deferred outflows and inflows.

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:

The District follows the practice of pooling cash and investments of all funds.

Interest income earned on investments is allocated annually to the funds based on the month-end cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The District invests certain operating, and restricted funds in time certificates of deposit, and the State of California Local Agency Investment Fund (LAIF). These investments are included in cash as cash equivalents and are stated at their fair values.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

- A. Deposits - Statutes allow the District to deposit excess funds with depositories under pooled collateral arrangements whereby qualified securities are pledged with the depository's trust department or an independent agent of the depository.

While these securities are pledged to protect the deposits of the District, they are not held in the District's name or by the District. In accordance with Governmental Accounting Standards Board Statement No. 3, collateral not held in the name of the District or by the District is to be classified as uncollateralized.

At June 30, 2015, the carrying amount of the District's deposits was \$4,595,190. The bank's balances were \$5,298,390. The entire balance was covered by federal depository insurance or collateralized with qualified securities pledged by the depository's trust department or an independent agent of the depository.

At June 30, 2014, the carrying amount of the District's deposits was \$4,863,849. The bank's balances were \$5,035,298. The entire balance was covered by federal depository insurance or collateralized with qualified securities pledged by the depository's trust department or an independent agent of the depository.

- 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 and Poor's Corporation, repurchase or reverse repurchase agreements, and the State Treasurer's Investment Pool.

The investment policy set by the Directors of the District is more conservative than that set by state statute. The policy allows the District treasurer to invest in certificates of deposit, U.S. Treasury Bills, instruments guaranteed by the U.S. Government, Money Market Accounts, and investment in U.S. Government securities, Placer County Investment Fund, and the LAIF.

Investment in State Investment Pool - 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.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

B. Investments (Continued):

Structured notes and asset-backed securities comprised 2.08% and 1.86% of LAIF's total portfolio for all investors as of June 30, 2015 and 2014, respectively. Fair value of a pool share was 1.000375979 and 1.00029875 for those same periods. The cost value of a pool share was constant at \$1.00.

	2015		2014	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	\$ 6,532,391	\$ 6,534,847	\$ 7,916,983	\$ 7,919,960

Credit risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Custodial credit risk: This 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 District does not have custodial credit risk policies for investments.

The District's investments at June 30 2015 and 2014 are presented below:

	2015		2014	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Certificates of Deposits	\$ 1,561,118	\$ 1,561,118	\$	\$
U.S. Government Securities	474,075	472,488	137,193	137,193
Total Investments	\$ 2,035,193	\$ 2,033,606	\$ 137,193	\$ 137,193

These investments are uninsured and unregistered investments as the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. A portion of the District's investments are subject to this risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by duration.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

B. Investments (Continued):

Investments of the District subject to interest rate risk on June 30, 2015 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
Certificates of Deposit	\$ 99,000	\$ 99,011	7/2015
Certificates of Deposit	100,000	100,016	7/2015
Certificates of Deposit	120,000	120,072	7/2015
Certificates of Deposit	223,888	224,052	9/2015
Certificates of Deposit	239,851	240,055	9/2015
Certificates of Deposit	200,000	200,148	9/2015
Certificates of Deposit	100,000	100,072	2/2016
Certificates of Deposit	150,000	150,105	2/2016
Certificates of Deposit	240,000	240,132	3/2016
Certificates of Deposit	245,000	245,203	3/2016
Certificates of Deposit	245,000	245,262	3/2016
Certificates of Deposit	240,000	240,245	3/2016
Certificates of Deposit	120,000	120,120	4/2016
Certificates of Deposit	229,000	229,330	4/2016
Certificates of Deposit	144,000	144,104	9/2016
Certificates of Deposit	100,000	100,338	11/2016
Certificates of Deposit	137,200	138,195	5/2017
Certificates of Deposit	100,000	99,279	8/2017
Certificates of Deposit	231,000	231,143	9/2017
Certificates of Deposit	120,000	120,101	9/2017
Certificates of Deposit	100,000	99,317	10/2017
Certificates of Deposit	240,000	242,616	11/2017
Certificates of Deposit	245,000	245,642	7/2019
Certificates of Deposit	142,000	140,383	6/2020
Weighted average maturity			10/2016

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

B. Investments (Continued):

Investments of the District subject to interest rate risk on June 30, 2014 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
Certificates of Deposit	\$ 240,000	\$ 240,096	9/2014
Certificates of Deposit	130,000	129,982	9/2014
Certificates of Deposit	140,000	140,118	9/2014
Certificates of Deposit	210,000	209,945	9/2014
Certificates of Deposit	200,000	199,984	9/2014
Certificates of Deposit	144,000	143,983	9/2014
Certificates of Deposit	115,000	115,186	9/2014
Certificates of Deposit	200,000	200,290	9/2014
Certificates of Deposit	105,000	105,237	9/2014
Certificates of Deposit	105,000	105,028	9/2014
Certificates of Deposit	97,000	97,997	11/2014
Certificates of Deposit	220,000	219,969	12/2014
Certificates of Deposit	97,000	98,290	1/2015
Certificates of Deposit	100,000	99,878	1/2015
Certificates of Deposit	118,000	118,444	2/2015
Certificates of Deposit	137,000	137,134	2/2015
Certificates of Deposit	100,000	100,092	3/2015
Certificates of Deposit	236,000	235,641	3/2015
Certificates of Deposit	108,000	108,058	3/2015
Certificates of Deposit	205,000	204,637	3/2015
Certificates of Deposit	120,000	119,776	4/2015
Certificates of Deposit	230,000	231,194	4/2015
Certificates of Deposit	112,000	112,597	5/2015
Certificates of Deposit	133,000	133,726	6/2015
Certificates of Deposit	100,000	99,883	7/2015
Certificates of Deposit	120,000	120,682	7/2015
Certificates of Deposit	240,000	239,170	9/2015
Certificates of Deposit	101,000	100,959	4/2017
Certificates of Deposit	240,000	242,018	6/2015
Weighted average maturity			1/2015

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

C. Classification:

<u>Summary of Cash and Investments:</u>	2015	2014
Cash Deposits and on Hand	\$ 3,359,061	\$ 4,997,761
LAIF	6,532,391	7,916,983
Investments	2,033,606	137,193
	\$ 11,925,058	\$ 13,051,937
 <u>Cash and Investments</u>		
<u>Classified in the Balance Sheet:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 9,232,715	\$ 12,503,876
Restricted	658,737	410,868
	\$ 9,891,452	\$ 12,914,744
Investments:		
Unrestricted	\$ 2,033,606	\$ 137,193
	\$ 11,925,058	\$ 13,051,937

NOTE 3 ACCOUNTS RECEIVABLE:

The accounts receivable, shown as current assets, are comprised of the following:

	2015	2014
Service Charges	\$ 13,400	\$ 123,929
Taxes, Net of Allowance for Doubtful Accounts of \$0 for 2015 and 2014.	424,143	248,303
	\$ 437,543	\$ 372,232

The accounts receivable, shown as restricted assets, are comprised of the following:

	2015	2014
Grants	\$ 309,456	\$ 117,756

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 4 RESTRICTED ASSETS AND LIABILITIES:

Restricted assets at June 30, 2015 are identified by use as follows:

	<u>Sewer</u> <u>Construction</u> <u>Reserves</u>	<u>Water</u> <u>Construction</u> <u>Reserves</u>	<u>Recreation</u> <u>Construction</u> <u>Reserves</u>	<u>Total</u>
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 190,209	\$ 445,936	\$ 22,592	\$ 658,737
Accounts Receivable		304,193	5,263	309,456
Deposits and Prepaid Expenses			10,498	10,498
	<u>\$ 190,209</u>	<u>\$ 750,129</u>	<u>\$ 38,353</u>	<u>\$ 978,691</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>				
Accounts Payable	\$ 937,576	\$ 132,579	\$ 6,204	\$ 1,076,359
	<u>\$ 937,576</u>	<u>\$ 132,579</u>	<u>\$ 6,204</u>	<u>\$ 1,076,359</u>

Restricted assets at June 30, 2014 are identified by use as follows:

	<u>Sewer</u> <u>Construction</u> <u>Reserves</u>	<u>Water</u> <u>Construction</u> <u>Reserves</u>	<u>Recreation</u> <u>Construction</u> <u>Reserves</u>	<u>Total</u>
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 227,800	\$ 150,048	\$ 33,020	\$ 410,868
Accounts Receivable		120,962	(3,206)	117,756
Deposits and Prepaid Expenses			16,239	16,239
	<u>\$ 227,800</u>	<u>\$ 271,010</u>	<u>\$ 46,053</u>	<u>\$ 544,863</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>				
Accounts Payable	\$ 14,105	\$ 104,256	\$ _____	\$ 118,361
	<u>\$ 14,105</u>	<u>\$ 104,256</u>	<u>\$ 0</u>	<u>\$ 118,361</u>

NOTE 5 PENSION:

General Information about the Pension Plan:

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

General Information about the Pension Plan (Continued):

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees’ Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.7% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired on or after January 1, 2013, who are current members of CalPERS or a reciprocal District as of December 31, 2012 and have not been separated from service from such District for more than six months, the retirement benefit is 2.7% at 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, the retirement benefit is 2.0% at 62 years of age; 3 year final compensation.

The Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hire date		
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.25%
Required employer contribution rates	11.032%	6.25%

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5

PENSION (Continued):

General Information about the Pension Plan (Continued):

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public District cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$ 301,281
Contributions - employee (paid by employer)	<u>195,224</u>
Total employer paid contributions	<u>\$ 496,505</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2015, the District reported net pension liability of \$285,048 for its proportionate share of the net pension liability. The District's net pension liability was measured as the proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The individual employer rate plan's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2013, was calculated by dividing the estimated amounts for each employer rate plan at June 30, 2013, by the collective amounts for the respective risk pool as of June 30, 2013. These rates were then applied to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2014, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2014. Each employer rate plan's fiduciary net position was then subtracted from its total pension liability to obtain the net pension liability as of the measurement date. The District's proportionate share percentage at the measurement date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability as of the measurement date.

The District's proportionate share of the net pension liability as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013 (Valuation Date)	0.00490%
Proportion - June 30, 2014 (Measurement Date)	<u>0.0000458%</u>
Change - Increase (Decrease)	<u>(0.00032%)</u>

As a result of the implementation of the GASB No. 68 pronouncement at June 30, 2015, the District recognized pension expense of \$274,264 and \$0 at June 30, 2015 and 2014, respectively.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 475,530	\$
Differences between actual and expected experience:		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		154,196
Net differences between projected and actual earnings on plan investments		95,790
Total	<u>\$ 475,530</u>	<u>\$ 249,986</u>

\$475,530 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Actuarially Determined Deferred Outflows/(Inflows) - Miscellaneous Plan</u>	
<u>Fiscal Year Ending June 30:</u>	<u>Net, Deferred Outflow/(Inflows) of Resources</u>
2016	(\$ 79,017)
2017	(68,003)
2018	(23,949)
2019	
2020	
Thereafter	
Total	<u>(\$ 170,969)</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Including PEPRA Miscellaneous</u>
Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.5% ⁽²⁾
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

⁽²⁾ Net of pension plan investment expenses, including inflation.

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, see the 2014 Experience Study on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

Discount Rate (Continued):

The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal years. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

Discount Rate (Continued):

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(0.55%)	(1.05%)
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	\$ 507,868	\$ 285,048	\$ 100,129

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 6

CAPITAL ASSETS:

The following is a summary of the capital assets at June 30, 2015:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 93,547	\$	\$	\$ 93,547
Construction In Progress	2,881,879	3,501,317	(2,311,789)	4,071,407
Total Capital Assets not being Depreciated	\$ 2,975,426	\$ 3,501,317	(\$ 2,311,789)	\$ 4,164,954
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 2,041,791	\$	\$	\$ 2,041,791
Sewage System	29,770,922	2,364,715		32,135,637
Vehicles and Equipment	4,716,793	60,236		4,777,029
Furniture and Office Equipment	844,426			844,426
Total Capital Assets being Depreciated	\$ 37,373,932	\$ 2,424,951	\$ 0	\$ 39,798,883
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 1,212,489	\$ 52,500	\$	\$ 1,264,989
Sewage System	17,326,840	724,628		18,051,468
Vehicles and Equipment	4,339,974	99,083		4,439,057
Furniture and Office Equipment	740,628	35,030		775,658
Total Accumulated Depreciation	\$ 23,619,931	\$ 911,241	\$ 0	\$ 24,531,172
Net Capital Assets	\$ 16,729,427	\$ 5,015,027	(\$ 2,311,789)	\$ 19,432,665

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 780,047	\$	\$	\$ 780,047
Construction In Progress	693,061	318,327		1,011,388
Total Capital Assets not being Depreciated	\$ 1,473,108	\$ 318,327	\$ 0	\$ 1,791,435
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 29,201,743	\$ 689,546	\$	\$ 29,891,289
Vehicles and Equipment	252,315	33,435		285,750
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	\$ 29,489,977	\$ 722,981	\$ 0	\$ 30,212,958
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 12,082,299	\$ 862,220	\$	\$ 12,944,519
Vehicles and Equipment	175,405	20,580		195,985
Furniture and Office Equipment	33,001	2,918		35,919
Total Accumulated Depreciation	\$ 12,290,705	\$ 885,718	\$ 0	\$ 13,176,423
Net Capital Assets	\$ 18,672,380	\$ 155,590	\$ 0	\$ 18,827,970

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2015 (Continued):

Recreation Fund:

	Beginning			Ending
	Balance	Additions	Deletions	Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 7,025,000	\$	\$	\$ 7,025,000
Construction In Progress		16,769		16,769
	<u>7,025,000</u>	<u>16,769</u>	<u>0</u>	<u>7,041,769</u>
Total Capital Assets not being Depreciated	\$ 7,025,000	\$ 16,769	\$ 0	\$ 7,041,769
 <u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 15,393,473	\$	\$	\$ 15,393,473
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
	<u>16,229,483</u>	<u>0</u>	<u>0</u>	<u>16,229,483</u>
Total Capital Assets being Depreciated	\$ 16,229,483	\$ 0	\$ 0	\$ 16,229,483
 <u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 5,895,296	\$ 553,451	\$	\$ 6,448,747
Vehicles and Equipment	697,162	2,864		700,026
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	135,028			135,028
	<u>8,221,603</u>	<u>556,315</u>	<u>0</u>	<u>8,777,918</u>
Total Accumulated Depreciation	\$ 8,221,603	\$ 556,315	\$ 0	\$ 8,777,918
 Net Capital Assets	<u>\$ 15,032,880</u>	<u>(\$ 539,546)</u>	<u>0</u>	<u>\$ 14,493,334</u>
 <u>Total of Net Assets:</u>				
Sewer Department				\$ 19,432,665
Water Department				18,827,970
Recreation Department				<u>14,493,334</u>
				<u>\$ 52,753,969</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2014:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 905,912	\$	(\$ 812,365)	\$ 93,547
Construction In Progress	1,323,504	2,432,557	(874,182)	2,881,879
Total Capital Assets not being Depreciated	\$ 2,229,416	\$ 2,432,557	(\$ 1,686,547)	\$ 2,975,426
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 2,041,791	\$	\$	\$ 2,041,791
Sewage System	28,759,901	1,043,755	(32,734)	29,770,922
Vehicles and Equipment	4,713,923	69,445		4,783,368
Furniture and Office Equipment	737,294	40,557		777,851
Total Capital Assets being Depreciated	\$ 36,252,909	\$ 1,153,757	(\$ 32,734)	\$ 37,373,932
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 1,159,989	\$ 52,500	\$	\$ 1,212,489
Sewage System	16,649,091	677,749		17,326,840
Vehicles and Equipment	4,204,799	135,175		4,339,974
Furniture and Office Equipment	705,167	35,461		740,628
Total Accumulated Depreciation	\$ 22,719,046	\$ 900,885	\$ 0	\$ 23,619,931
Net Capital Assets	\$ 15,763,279	\$ 2,685,429	(\$ 1,719,281)	\$ 16,729,427

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 780,047	\$	\$	\$ 780,047
Construction In Progress	3,182,375	151,712	(2,641,026)	693,061
Total Capital Assets not being Depreciated	\$ 3,962,422	\$ 151,712	(\$ 2,641,026)	\$ 1,473,108
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 26,089,199	\$ 3,193,136	(\$ 80,592)	\$ 29,201,743
Vehicles and Equipment	211,999	40,316		252,315
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	\$ 26,337,117	\$ 3,233,452	(\$ 80,592)	\$ 29,489,977
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 11,262,460	\$ 820,685	\$	\$ 12,083,145
Vehicles and Equipment	160,094	14,465		174,559
Furniture and Office Equipment	29,500	3,501		33,001
Total Accumulated Depreciation	\$ 11,452,054	\$ 838,651	\$ 0	\$ 12,290,705
Net Capital Assets	\$ 18,847,485	\$ 2,546,513	(\$ 2,721,618)	\$ 18,672,380

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2014 (Continued):

Recreation Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 7,025,000	\$	\$	\$ 7,025,000
Construction In Progress				
Total Capital Assets not being Depreciated	\$ 7,025,000	\$ 0	\$ 0	\$ 7,025,000
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 15,286,204	\$ 107,269	\$	\$ 15,393,473
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	\$ 16,122,214	\$ 107,269	\$ 0	\$ 16,229,483
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 5,341,241	\$ 554,055	\$	\$ 5,895,296
Vehicles and Equipment	691,613	5,549		697,162
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	134,802	226		135,028
Total Accumulated Depreciation	\$ 7,661,773	\$ 559,830	\$ 0	\$ 8,221,603
Net Capital Assets	\$ 15,485,441	(\$ 452,561)	\$ 0	\$ 15,032,880
 <u>Total of Net Assets:</u>				
Sewer Department				\$ 16,729,427
Water Department				18,672,380
Recreation Department				15,032,880
				\$ 50,434,687

NOTE 7 LONG-TERM DEBT:

A. Certificates of Participation:

A summary of long-term liability activity for the year ended is as follows. Additional detailed information on the Certificates of Participation is noted below the summary.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
June 30, 2015					
Certificates of Participation	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
June 30, 2014					
Certificates of Participation	(\$ 675,000)	\$ 0	(\$ 675,000)	\$ 0	\$ 0

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 LONG-TERM DEBT (Continued):

A. Certificates of Participation (Continued):

Final payment was made in February 2014.

The Certificates represented undivided fractional interests in lease payments due under a Lease-Purchase Agreement pursuant to which the District is leasing the Projects from the North Tahoe Building Corporation.

The District has covenanted in the Lease-Purchase Agreement that it will take such action as may be necessary to include lease payments in its annual budgets and to make the necessary annual appropriations. The obligation of the District to make lease payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the Certificates nor the obligation of the District to make lease payments under the Lease-Purchase Agreement constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations or restrictions.

Interest due with respect to the Certificates was payable semi-annually on February 1 and August 1 (Water System Project).

B. Installment Note:

On September 1, 2010, the District entered into an installment sale agreement (the "Agreement") for \$4.5 million to finance the construction of certain capital facilities related to the District's water acquisition, storage and distribution system consisting primarily of a water storage tank and appurtenances. The Agreement's interest rate is 3.95% and is payable semi-annually. Principal repayment begins in August 2013 and concludes on February 1, 2026.

A summary of long-term liability activity for the year ended is as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
June 30, 2015					
Installment Note	<u>\$ 4,229,166</u>	<u>\$ 0</u>	<u>(\$ 281,638)</u>	<u>\$ 3,947,528</u>	<u>\$ 292,872</u>
June 30, 2014					
Installment Note	<u>\$ 4,500,000</u>	<u>\$ 0</u>	<u>(\$ 270,834)</u>	<u>\$ 4,229,166</u>	<u>\$ 281,638</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 LONG-TERM DEBT (Continued):

C. Interest Expense:

Total interest incurred was \$159,663 and \$180,488 for 2015 and 2014, respectively. As of June 30, 2015 and 2014, all interest was expensed.

D. Debt Service Requirements:

Debt service requirements of long term debt as summarized as follows:

June 30	Installment Note	Total Principal	Interest	Total Debt Service
2016	\$ 292,872	\$ 292,872	\$ 153,064	\$ 445,936
2017	304,555	304,555	141,381	445,936
2018	316,704	316,704	129,232	445,936
2019	329,337	329,337	116,599	445,936
2020	342,474	342,474	103,462	445,936
Thereafter	<u>2,361,586</u>	<u>2,361,586</u>	<u>314,028</u>	<u>2,675,614</u>
Total Debt	\$ 3,947,528	\$ 3,947,528	\$ 957,766	\$ 4,905,294
Less: Current Portion	(292,872)	(292,872)	(153,064)	(445,936)
Total Long Term Debt, Net of Current Portion	<u>\$ 3,654,656</u>	<u>\$ 3,654,656</u>	<u>\$ 804,702</u>	<u>\$ 4,459,358</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES:

Construction Commitments:

The District has entered into design and construction commitments totaling \$6,239,714 and \$1,505,692 for fiscal years ended June 30, 2015 and 2014, respectively. As of June 30, 2015, the amount earned on the contracts was \$4,118,517 with a remaining balance of \$2,121,197. As of June 30, 2014, the amount earned on the contracts was \$589,510 with a remaining balance of \$916,182.

Litigation:

Various claims and lawsuits were pending against the District during the year. It is the opinion of management and the District's attorney that the District's risk exposure will not have a material effect on the financial statements.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 9 VOTER LEGISLATION:

Proposition 218, which was approved by the voters in November 1996, 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 require 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. Therefore, the District's ability to finance the services for which assessments and fees are imposed may be significantly impaired. At this time, it is uncertain how Proposition 218 will affect the District's ability to maintain or increase the revenue it receives from assessments and fees.

NOTE 10 RELATED PARTY TRANSACTIONS:

The District has entered into a joint powers agreement with others to form a separate entity to provide insurance coverage. As a result, the District has related party transactions with SDRMA. During the years ended June 30, 2015 and 2014, the District paid the SDRMA \$97,732 and \$91,617, respectively, for workers' compensation insurance coverage.

NOTE 11 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 \$17.4 million. The District also purchases property insurance covering \$97,000 for unscheduled contractor's equipment, \$157,000 for scheduled equipment, and \$100,000 for rented 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 \$10.0 million.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 12 CHANGES IN ACCOUNTING PRINCIPLES:

During the year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*. These Statements required the District to recognize in its accrual basis financial statements the net pension liability, deferred outflows of resources and deferred inflows of resources for the District's pension plan. These Statements also required contributions made after the June 30, 2014 measurement date used in the actuarial valuation for the pension plan to be reported as deferred outflows of resources. Due to the implementation of these statements, a pension liability of \$285,048, deferred inflows of resources of \$249,986 and deferred outflows of resources of \$475,530 were recorded as of June 30, 2015; total net position as of July 1, 2014 was restated compared to the amounts reported in the June 30, 2014 financial statements, resulting in a decrease in net position of \$115,215.

NOTE 13 SUBSEQUENT EVENTS:

The District's management has evaluated subsequent events through March 3, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

North Tahoe Public Utility District

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

As of June 30, 2015

LAST TEN YEARS*

	Miscellaneous Plan	PEPRA Miscellaneous Plan
	2015	2015
Plan's Proportion of the Net Pension Liability/(Asset)	0.00458%	0.00001%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$285,048	\$441
Plan's Covered-Employee Payroll	\$2,750,646	\$43,792
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	10.36%	1.01%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	83.03%

Notes to Schedule:

Change of benefit terms – In 2015, there were no changes to the benefit terms.

Changes in assumptions – In 2015, there were no changes in assumptions.

* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

North Tahoe Public Utility District

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

As of June 30, 2015

LAST TEN YEARS

CalPERS Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 274,264
Contributions in relation to the actuarially determined contributions	(274,264)
Contribution deficiency (excess)	<u>\$ 0</u>
Covered-employee payroll	\$ 2,794,438
Contributions as a percentage of covered-employee payroll	9.97%

Notes to Schedule

Valuation date: June 30, 2013

* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

SUPPLEMENTARY INFORMATION

North Tahoe Public Utility District

Schedule 1

COMPARISON OF BUDGET TO ACTUAL

June 30, 2015

<u>Revenues:</u>	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Positive (Negative) Variance With Budget</u>
Service Charges	\$ 5,386,573	\$ 5,386,703	\$ 130
Recreation Events and Programs	870,200	656,375	(213,825)
Property Taxes/CFD 94-1	4,305,900	4,617,557	311,657
Investment Income	65,700	51,258	(14,442)
Grants	522,919	376,777	(146,142)
Miscellaneous/Gain on Property Sale	61,100	90,950	29,850
Capital Contributions	<u>67,000</u>	<u>160,220</u>	<u>93,220</u>
	<u>\$ 11,279,392</u>	<u>\$ 11,339,840</u>	<u>\$ 60,448</u>
 <u>Expenses:</u>			
Direct Operating Expenses	\$ 5,062,646	\$ 5,017,748	\$ 44,898
Administration and General	2,917,171	2,836,222	80,949
Depreciation	2,227,000	2,353,274	(126,274)
Interest Expense	164,298	159,663	4,635
Fiscal Agent Fees	<u>82,100</u>	<u>78,726</u>	<u>3,374</u>
	<u>\$ 10,453,215</u>	<u>\$ 10,445,633</u>	<u>(\$ 7,582)</u>
 Total Positive Variance	 <u>\$ 826,177</u>	 <u>\$ 894,207</u>	 <u>\$ 68,030</u>