

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, 2012 and 2011



North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2012 and 2011

BOARD OF DIRECTORS

S. Lane Lewis, President

John Bergmann, Vice President

Frank Mooney, Secretary

Sue Daniels, Director

Tim Ferrell, Director

MANAGEMENT

Paul Schultz, General Manager/Chief Executive Officer

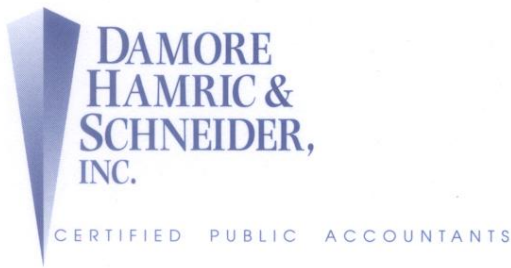
Larry Marple, Chief Financial Officer

North Tahoe Public Utility District

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INDEPENDENT AUDITOR'S REPORT

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, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of North Tahoe Public Utility District as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 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 management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Tahoe Public Utility District's financial statements as a whole. The supplementary information contained in schedule 1 on page 44 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relating to the financial statements as a whole.



DAMORE, HAMRIC & SCHNEIDER, INC.

Certified Public Accountants

December 28, 2012

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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 ending June 30, 2012. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT

The District's Current Assets decreased \$605,317 from \$12,461,878 to \$11,856,561. Restricted Assets decreased \$395,813 from \$1,620,211 to \$1,224,398. Net Capital Assets rose from \$47,291,242 to \$48,830,422 an increase of \$1,539,180. The District's Total Assets increased by \$538,050 to \$61,911,381. Current Liabilities (Payable from Current Assets) increased by \$64,150 to \$1,689,726. Current Liabilities (Payable from Restricted Assets) decreased \$322,513 from \$669,602 to \$347,089. Noncurrent Liabilities decreased \$738,682 from \$5,913,682 to \$5,175,000. Net Assets Invested in Capital Assets, Net of Related Debt increased by \$2,252,532 as additions of new Capital Assets exceeded depreciation. Restricted Net Assets decreased by \$73,300. Unrestricted Net Assets which have been designated for Board Reserves increased by \$326,988 from \$4,634,217 to \$4,961,205. Unrestricted Net Assets which are undesignated declined by \$971,125 or 14% from \$ 6,915,422 to \$5,944,297.

FINANCIAL HIGHLIGHTS - SEWER FUND

Current Unrestricted Assets decreased \$275,125 from \$9,305,498 to \$9,030,373. Restricted Assets decreased \$52,584 from \$400,991 to \$348,407. Net Capital Assets increased by \$526,735 from \$14,945,736 to \$15,472,471 as the additions to Capital Assets increased more than Accumulated Depreciation. The Secline Pump Station Rehabilitation project accounted for \$967,026 of the increase in fixed assets while The Carnelian/Dollar Station Design project added \$214,313 to Construction in Process. \$932,893 of increases to Accumulated Depreciation reduced the increases in the net Capital Asset amount. Current Liabilities (Payable from Current Assets) increased \$140,257 from \$599,494 to \$739,751. Current Liabilities (Payable from Restricted Assets) increased by \$ 47,890. Noncurrent Liabilities decreased \$83,682 from \$83,682 to \$0 as the two leases payable are within the last year of their respective terms and are therefore 100% included in Current Liabilities. Unrestricted Net Assets decreased \$410,052 from \$8,784,341 to \$8,374,289. Total Net Assets increased by \$94,561, from \$23,882,200 to \$23,976,761. Operating Revenues decreased by \$78,274 from \$1,660,595 to \$1,582,321. Total Operating Expenses were \$665,449 higher than 2011. \$239,081 of this excess was due to the payment to the California Regional Water Control Board for a Civil Liability (fine). Property Tax revenue of \$3,535,911 exceeded the prior year amount by \$87,741. Investment income increased \$5,806 over 2011. The total Change in Net Assets for 2012 was \$94,561 a \$527,769 reduction from 2011.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

FINANCIAL HIGHLIGHTS - WATER FUND

Current Assets decreased \$396,228 from \$2,759,200 to \$2,362,972. Restricted Assets decreased by \$334,723, from \$1,132,303 to \$797,580. Net Capital Assets increased \$1,331,816 due primarily to two large projects; the 2009 Water Main Replacement Project–Carnelian Bay West with a cost of \$1,352,682, and the Rim Drive Emergency Water Main Repair at a cost of \$294,840. Two other large projects added to the Work in Process; The Kings Beach Water Storage Zone 1 added \$642,888 and the National Avenue Water Treatment Plant Improvements – phase 1, added \$277,289 respectively. Current Liabilities (Payable from Current Assets) decreased \$2,940 from \$864,217 to \$861,277. Current Liabilities (Payable from Restricted Assets) decreased by \$315,862 from \$500,836 to \$ 184,974. Noncurrent Liabilities decreased by \$655,000 as a result of the annual principal payment on the Certificates of Participation. Unrestricted Net Assets decreased \$373,288 from \$2,529,983 to \$2,156,695. Total Net Assets increased by \$1,574,667 bringing the new amount to \$16,128,736. Revenues were down by \$ 24,395 or .6%. Total Operating Expenses decreased \$593,145 from 2011. Grant revenue was \$653,949 lower than the prior year with \$182,202 compared to the \$836,151 earned in 2011.

FINANCIAL HIGHLIGHTS - RECREATION FUND

Current Assets increased \$66,036 from \$397,180 to \$463,216. Restricted Assets decreased by \$8,506 to \$78,411. Capital Assets net of Accumulated Depreciation decreased by a net of \$319,371 to \$14,168,516. Decreases were due to depreciation of \$476,677 exceeding the new capital project expenditures of \$168,523. Increases to Capital Assets included \$150,694 for the Playground Equipment at the Regional Park and \$17,829 for repairs to Pinedrop Bike Trail. Current Liabilities (Payable from Current Assets) decreased \$73,167 from \$161,865 to \$88,698. Current Liabilities (Payable from Restricted Assets) decreased \$54,541 from \$81,917 to \$27,376. Unrestricted Net Assets increased by \$139,203 to close at \$374,518. Total Net Assets decreased by \$134,133 from \$14,728,202 to \$14,594,069. Recreation Events and Program Revenues were \$174,939 higher than they were in 2011, at \$956,206. Total Operating Expenses increased by \$48,637. The Recreation assessment called Community Facilities District 94-1 (CFD 94-1) brought in \$528,311 in 2012, \$14,620 more than 2011. Grant revenue was higher than 2011 by \$88,945. The \$134,133 decrease in Net Assets was \$176,874 less than the \$311,007 decrease in 2011.

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.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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 Assets 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 Assets. 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 2011/2012?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets 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 Assets - 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 Assets are 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, 2012

NET ASSETS

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

Table A-1
Condensed Statement of Net Assets

	FYE 6/30/2012	FYE 6/30/2011	Change in Dollars	Percent Change
Current Assets	\$ 11,856,561	\$ 12,461,878	(\$ 605,317)	-5%
Restricted Assets	1,224,398	1,620,211	(395,813)	-24%
Net Capital Assets	<u>48,830,422</u>	<u>47,291,242</u>	<u>1,539,180</u>	3%
 Total Assets	 <u>\$ 61,911,381</u>	 <u>\$ 61,373,331</u>	 <u>\$ 538,050</u>	 1%
Current Liabilities Unrestricted	\$ 1,689,726	\$ 1,625,576	\$ 64,150	4%
Current Liabilities Restricted	347,089	669,602	(322,513)	-48%
Long Term Liabilities	<u>5,175,000</u>	<u>5,913,682</u>	<u>(738,682)</u>	-12%
 Total Liabilities	 <u>\$ 7,211,815</u>	 <u>\$ 8,208,860</u>	 <u>(\$ 997,045)</u>	 -12%
Invested in Capital Assets, Net of Related Debt	\$ 42,916,755	\$ 40,664,223	\$ 2,252,532	6%
Restricted for Capital Outlay	265,393	336,940	(71,547)	-21%
Restricted for Debt Service	611,916	613,669	(1,753)	0%
Unrestricted (Designated for Board Reserves)	4,961,205	4,634,217	326,988	7%
Unrestricted (Undesignated)	<u>5,944,297</u>	<u>6,915,422</u>	<u>(971,125)</u>	-14%
 Total Net Assets	 <u>\$ 54,699,566</u>	 <u>\$ 53,164,471</u>	 <u>\$ 1,535,095</u>	 3%

As can be seen from the table above, Net Assets grew by \$1,535,095 from \$53,164,471 to \$54,699,566. The makeup of Net Assets changed as amounts invested in Capital Assets increased by \$2,252,532 or 6%, while amounts Unrestricted (Designated for Board Reserves) increased by \$326,988 or 7% and Unrestricted (Undesignated) decreased by 14% or \$971,125 from \$6,915,422 to \$5,944,297.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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

	FYE 6/30/2012	FYE 6/30/2011	Change in Dollars	Percent Change
Operating Revenues	\$ 6,446,172	\$ 6,373,902	\$ 72,270	1%
Operating Expenses	<u>9,795,296</u>	<u>9,674,355</u>	<u>120,941</u>	1%
Net Operating Loss	(\$ 3,349,124)	(\$ 3,300,453)	(\$ 48,671)	1%
Property Tax Revenues	\$ 4,064,222	\$ 3,961,861	\$ 102,361	3%
Other Non-Operating Revenues & Expenses	<u>385,098</u>	<u>1,005,281</u>	<u>(620,183)</u>	- 62%
Non-Operating Revenues & Expenses	\$ <u>4,449,320</u>	\$ <u>4,967,142</u>	<u>(\$ 517,822)</u>	- 10%
Income Before Capital Contributions	\$ 1,100,196	\$ 1,666,689	(\$ 566,493)	- 34%
Capital Contributions	<u>434,899</u>	<u>269,134</u>	<u>165,765</u>	62%
Change in Net Assets	\$ 1,535,095	\$ 1,935,823	(\$ 400,728)	- 21%
Beginning Net Assets	<u>53,164,471</u>	<u>51,228,648</u>	<u>1,935,823</u>	4%
Ending Net Assets	<u>\$ 54,699,566</u>	<u>\$ 53,164,471</u>	<u>\$ 1,535,095</u>	3%

While the Balance Sheet shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets 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 Assets. The decrease in Net Assets in FY 2012 was \$400,728 less than the increase in FY 2011 due to an increase of \$48,671 in the Net Operating Loss, \$517,822 net decrease in Non-Operating Revenue and Expenses, and a \$165,765 decrease in Capital Contributions. Total Operating Revenues increased by \$72,270 while total Operating Expenses increased by 1% or \$120,941. Included in Operating Expenses of 2012 is a \$239,081 fine paid to the California Regional Water Quality Control Board. Property Tax (including CFD 94-1) Revenues increased by 3% or \$102,361 while Other Non-Operating Revenue and Expenses decreased due largely to a decrease in grant revenue of \$565,004 and a decrease in investment income of \$48,105. Capital Contributions/Connection Fees increased from \$269,134 in 2011 to \$434,899 in 2012.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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 2012 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues	\$ 6,210,838	\$ 6,446,172	\$ 235,334
Operating Expenses	<u>10,151,240</u>	<u>9,795,296</u>	<u>355,944</u>
Net Operating Loss	(\$ 3,940,402)	(\$ 3,349,124)	\$ 591,278
Property Tax Revenues	\$ 3,775,000	\$ 4,064,222	\$ 289,222
Other Non-Operating Revenues & Expenses	<u>239,354</u>	<u>385,098</u>	<u>145,744</u>
Non-Operating Revenues & Expenses	\$ 4,014,354	\$ 4,449,320	(\$ 434,966)
Income Before Capital Contributions	\$ 73,952	\$ 1,100,196	\$ 1,026,244
Capital Contributions	<u>29,334</u>	<u>434,899</u>	<u>405,565</u>
Change in Net Assets	<u>\$ 103,286</u>	<u>\$ 1,535,095</u>	<u>\$ 1,431,809</u>

Operating Revenues of \$6,446,172 exceeded the Budget of \$6,210,838 creating a favorable variance of \$235,334. Included in Operating Revenue are Service Charges which were \$170,128 more than expected and Recreation Events and Programs which exceeded its budget of \$891,000 by \$65,206. Property Taxes/CFD 94-1 revenues surpassed the budgeted amount by \$289,222. This was mostly due to Property Taxes which were over budget by \$285,911 while CFD 94-1 revenue was \$3,311 over budget. Capital Contributions/Connection Fees of \$434,899 was significantly more than budgeted. This amount included \$81,759 of infrastructure transferred and conveyed to the Sewer District and \$299,829 of infrastructure transferred and conveyed to the Water District. Operating Expenses were under budget by \$355,944 coming in at \$9,795,296 compared with a budget of \$10,151,240. \$239,081 of this excess was due to the fine to the California Regional Water Control Board for a Civil Liability (fine).

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

CAPITAL ASSETS

Table A-4
Condensed Statement of Fixed Assets

	FYE 6/30/2012	FYE 6/30/2011	Change in Dollars	Percent Change
Fixed Assets	\$ 82,568,188	\$ 79,073,869	\$ 3,494,319	4%
Construction in Process	<u>5,887,911</u>	<u>5,752,578</u>	<u>135,333</u>	2%
	<u>\$ 88,456,099</u>	<u>\$ 84,826,447</u>	<u>\$ 3,629,652</u>	4%
Accumulated Depreciation	(<u>39,625,677</u>)	(<u>37,535,205</u>)	(<u>2,090,472</u>)	6%
Net Capital Assets	<u>\$ 48,830,422</u>	<u>\$ 47,291,242</u>	<u>\$ 1,539,180</u>	3%

At the end of fiscal year 2012, the District had \$48,830,422 invested in net capital assets as shown in Table A-4. Fixed Assets grew by \$3,494,319 or 4%. This increase included \$1,242,859 of Sewer Projects, \$2,126,210 of Water Projects and \$168,523 of Recreation and Park Projects. The most important additions included \$967,026 for a Sewer Fund project named the Secline Pump Station Rehabilitation Project, and Water Fund projects including \$1,352,682 for the 2009 Water Main Replacement Project–Carnelian Bay West, \$294,840 for the Rim Drive Emergency Water Main Replacement Project, and \$299,829 of water infrastructure that was transferred and conveyed to the District. Additions also included a Recreation Fund project in the amount of \$150,694 for the new Playground Equipment installed at the Regional Park. Accumulated Depreciation grew by \$2,090,472.

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 ASSETS

June 30, 2012 and 2011

<u>Assets:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2012</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2011</u>
Current Assets:								
Cash and Cash Equivalents	\$ 8,212,596	\$ 2,258,996	\$ 435,165	\$ 10,906,757	\$ 8,595,126	\$ 2,674,510	\$ 394,202	\$ 11,663,838
Investments	232,479			232,479	256,490			256,490
Accounts Receivable	311,063	103,976	24,468	439,507	176,819	84,690		261,509
Inventory	268,597		3,583	272,180	268,275		2,978	271,253
Deposits and Prepaid Expenses	5,638			5,638	8,788			8,788
Total Current Assets	<u>\$ 9,030,373</u>	<u>\$ 2,362,972</u>	<u>\$ 463,216</u>	<u>\$ 11,856,561</u>	<u>\$ 9,305,498</u>	<u>\$ 2,759,200</u>	<u>\$ 397,180</u>	<u>\$ 12,461,878</u>
Restricted Assets:								
Cash and Cash Equivalents	\$ 348,407	\$ 80,049	\$	\$ 428,456	\$ 389,450	\$ 394,500	\$	\$ 783,950
Investments		602,500		602,500		602,500		602,500
Accounts Receivable		115,031	60,796	175,827	11,541	135,303	81,917	228,761
Deposits and Prepaid Expenses			17,615	17,615			5,000	5,000
Total Restricted Assets	<u>\$ 348,407</u>	<u>\$ 797,580</u>	<u>\$ 78,411</u>	<u>\$ 1,224,398</u>	<u>\$ 400,991</u>	<u>\$ 1,132,303</u>	<u>\$ 86,917</u>	<u>\$ 1,620,211</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,472,471</u>	<u>\$ 19,189,435</u>	<u>\$ 14,168,516</u>	<u>\$ 48,830,422</u>	<u>\$ 14,945,736</u>	<u>\$ 17,857,619</u>	<u>\$ 14,487,887</u>	<u>\$ 47,291,242</u>
Total Assets	<u>\$ 24,851,251</u>	<u>\$ 22,349,987</u>	<u>\$ 14,710,143</u>	<u>\$ 61,911,381</u>	<u>\$ 24,652,225</u>	<u>\$ 21,749,122</u>	<u>\$ 14,971,984</u>	<u>\$ 61,373,331</u>

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

North Tahoe Public Utility District

STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

<u>Liabilities:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2012</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2011</u>
Current Liabilities (Payable from Current Assets):								
Accounts Payable	\$ 308,252	\$ 40,670	\$ 15,317	\$ 364,239	\$ 102,124	\$ 68,994	\$ 109,358	\$ 280,476
Accrued Liabilities	347,832	165,607	73,381	586,820	419,033	160,223	52,507	631,763
Current Portion of Long-Term Debt	83,667	655,000		738,667	78,337	635,000		713,337
Total Current Liabilities (Payable from Current Assets)	<u>\$ 739,751</u>	<u>\$ 861,277</u>	<u>\$ 88,698</u>	<u>\$ 1,689,726</u>	<u>\$ 599,494</u>	<u>\$ 864,217</u>	<u>\$ 161,865</u>	<u>\$ 1,625,576</u>
Current Liabilities (Payable from Restricted Assets):								
Cash and Cash Equivalents (Book Overdraft)	\$	\$	\$ 2,631	\$ 2,631	\$	\$	\$ 9,524	\$ 9,524
Accounts Payable	134,739	184,974	24,745	344,458	86,849	500,836	72,393	660,078
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 134,739</u>	<u>\$ 184,974</u>	<u>\$ 27,376</u>	<u>\$ 347,089</u>	<u>\$ 86,849</u>	<u>\$ 500,836</u>	<u>\$ 81,917</u>	<u>\$ 669,602</u>
Total Current Liabilities	<u>\$ 874,490</u>	<u>\$ 1,046,251</u>	<u>\$ 116,074</u>	<u>\$ 2,036,815</u>	<u>\$ 686,343</u>	<u>\$ 1,365,053</u>	<u>\$ 243,782</u>	<u>\$ 2,295,178</u>
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	\$ 0	\$ 5,175,000	\$ 0	\$ 5,175,000	\$ 83,682	\$ 5,830,000	\$ 0	\$ 5,913,682
Total Liabilities	<u>\$ 874,490</u>	<u>\$ 6,221,251</u>	<u>\$ 116,074</u>	<u>\$ 7,211,815</u>	<u>\$ 770,025</u>	<u>\$ 7,195,053</u>	<u>\$ 243,782</u>	<u>\$ 8,208,860</u>
<u>Net Assets:</u>								
Invested in Capital Assets, Net of Related Debt	\$ 15,388,804	\$ 13,359,435	\$ 14,168,516	\$ 42,916,755	\$ 14,783,717	\$ 11,392,619	\$ 14,487,887	\$ 40,664,223
Restricted for:								
Capital Outlay	213,668	690	51,035	265,393	314,142	17,798	5,000	336,940
Debt Service		611,916		611,916		613,669		613,669
Unrestricted	8,374,289	2,156,695	374,518	10,905,502	8,784,341	2,529,983	235,315	11,549,639
Total Net Assets	<u>\$ 23,976,761</u>	<u>\$ 16,128,736</u>	<u>\$ 14,594,069</u>	<u>\$ 54,699,566</u>	<u>\$ 23,882,200</u>	<u>\$ 14,554,069</u>	<u>\$ 14,728,202</u>	<u>\$ 53,164,471</u>

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

North Tahoe Public Utility District

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Years Ended June 30, 2012 and 2011

	Sewer	Water	Recreation	Total 2012	Sewer	Water	Recreation	Total 2011
<u>Operating Revenues:</u>								
Service Charges	\$ 1,582,321	\$ 3,907,645	\$	\$ 5,489,966	\$ 1,660,595	\$ 3,932,040	\$	\$ 5,592,635
Recreation Events and Programs			956,206	956,206			781,267	\$ 781,267
Total Operating Revenues	\$ 1,582,321	\$ 3,907,645	\$ 956,206	\$ 6,446,172	\$ 1,660,595	\$ 3,932,040	\$ 781,267	\$ 6,373,902
<u>Operating Expenses:</u>								
Direct Operating Expenses	\$ 2,133,603	\$ 1,399,171	\$ 1,274,796	\$ 4,807,570	\$ 826,906	\$ 1,698,502	\$ 1,224,389	\$ 3,749,797
Administration and General	2,095,027	666,232	98,904	2,860,163	2,768,419	996,200	116,150	3,880,769
Depreciation	932,893	717,993	476,677	2,127,563	900,749	681,839	461,201	2,043,789
Total Operating Expenses	\$ 5,161,523	\$ 2,783,396	\$ 1,850,377	\$ 9,795,296	\$ 4,496,074	\$ 3,376,541	\$ 1,801,740	\$ 9,674,355
Operating Income/(Loss)	(\$ 3,579,202)	\$ 1,124,249	(\$ 894,171)	(\$ 3,349,124)	(\$ 2,835,479)	\$ 555,499	(\$ 1,020,473)	(\$ 3,300,453)
<u>Non-Operating Revenue (Expense):</u>								
Property Taxes/CFD 94-1	\$ 3,535,911	\$	\$ 528,311	\$ 4,064,222	\$ 3,448,170	\$	\$ 513,691	\$ 3,961,861
Investment Income	63,922	16,206	1,578	81,706	58,116	37,368	34,327	129,811
Grants		182,202	224,816	407,018		836,151	135,871	972,022
Miscellaneous/Gain on Property Sale	(524)	8,317	10,603	18,396	9		31,118	31,127
Interest Expense	(6,909)	(37,191)		(44,100)	(12,076)	(53,322)		(65,398)
Fiscal Agent Fees	(71,181)	(1,471)	(5,270)	(77,922)	(55,340)	(1,400)	(5,541)	(62,281)
Total Non-Operating Revenue	\$ 3,521,219	\$ 168,063	\$ 760,038	\$ 4,449,320	\$ 3,438,879	\$ 818,797	\$ 709,466	\$ 4,967,142
Income (Loss) Before Contributions and Transfers	(\$ 57,983)	\$ 1,292,312	(\$ 134,133)	\$ 1,100,196	\$ 603,400	\$ 1,374,296	(\$ 311,007)	\$ 1,666,689
Capital Contributions - Connection Fees (Refunds)	70,785	(17,474)		53,311	137,060	132,074		269,134
Capital Contributions - Infrastructure	81,759	299,829		381,588				
Transfers In/(Out)					(118,130)	118,130		
Change in Net Assets	\$ 94,561	\$ 1,574,667	(\$ 134,133)	\$ 1,535,095	\$ 622,330	\$ 1,624,500	(\$ 311,007)	\$ 1,935,823
Total Net Assets - Beginning	23,882,200	14,554,069	14,728,202	53,164,471	23,259,870	12,929,569	15,039,209	51,228,648
Total Net Assets - Ending	\$ 23,976,761	\$ 16,128,736	\$ 14,594,069	\$ 54,699,566	\$ 23,882,200	\$ 14,554,069	\$ 14,728,202	\$ 53,164,471

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, 2012 and 2011

	Sewer	Water	Recreation	Total 2012	Sewer	Water	Recreation	Total 2011
<u>Cash Flows from Operating Activities:</u>								
Receipts from Customers	\$ 1,459,618	\$ 4,023,662	\$ 952,859	\$ 6,436,139	\$ 1,957,765	\$ 3,864,822	\$ 986,447	\$ 6,809,034
Paid to Suppliers for Goods and Services	(1,975,215)	(1,981,674)	(1,013,010)	(4,969,899)	(1,747,296)	(1,911,399)	(456,978)	(4,115,673)
Paid to Employees for Services	(2,066,981)	(545,879)	(501,618)	(3,114,478)	(1,954,459)	(553,174)	(953,861)	(3,461,494)
Net Cash Provided (Used) by Operating Activities	<u>(\$ 2,582,578)</u>	<u>\$ 1,496,109</u>	<u>(\$ 561,769)</u>	<u>(\$ 1,648,238)</u>	<u>(\$ 1,743,990)</u>	<u>\$ 1,400,249</u>	<u>(\$ 424,392)</u>	<u>(\$ 768,133)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>								
Property Taxes Collected	\$ 3,535,911	\$	\$ 528,311	\$ 4,064,222	\$ 3,448,170	\$	\$ 513,691	\$ 3,961,861
Transfer From/(To) Other Funds					(118,130)	118,130		
Other Non-Operating Revenues	(524)	8,317	10,603	18,396	26		31,118	31,144
Net Cash Provided by Noncapital Financing Activities	<u>\$ 3,535,387</u>	<u>\$ 8,317</u>	<u>\$ 538,914</u>	<u>\$ 4,082,618</u>	<u>\$ 3,330,066</u>	<u>\$ 118,130</u>	<u>\$ 544,809</u>	<u>\$ 3,993,005</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>								
Acquisition of Capital Assets	(\$ 1,384,051)	(\$ 1,749,980)	(\$ 157,306)	(\$ 3,291,337)	(\$ 447,777)	(\$ 4,674,624)	(\$ 315,788)	(\$ 5,438,189)
Proceeds from Sale of Capital Assets	5,393	8,317		13,710				
Capital Grants Received		182,202	224,816	407,018		836,151	135,871	972,022
Proceeds from Issuance of Installment Note						4,500,000		4,500,000
Principal Paid on Bonds and Notes	(78,352)	(635,000)		(713,352)	(73,169)	(615,000)		(688,169)
Interest Paid on Bonds and Notes	(6,909)	(37,191)		(44,100)	(12,076)	(53,322)		(65,398)
Fiscal Agent Fees	(71,181)	(1,471)	(5,270)	(77,922)	(55,340)	(1,400)	(5,541)	(62,281)
Contributed Capital - Connection Fees	70,785	(17,474)		53,311	137,060	132,074		269,134
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(\$ 1,464,315)</u>	<u>(\$ 2,250,597)</u>	<u>\$ 62,240</u>	<u>(\$ 3,652,672)</u>	<u>(\$ 451,302)</u>	<u>\$ 123,879</u>	<u>(\$ 185,458)</u>	<u>(\$ 512,881)</u>
<u>Cash Flows from Investing Activities:</u>								
Sale of Investments	\$ 24,011	\$	\$	\$ 24,011	\$ 439,583	\$	\$	\$ 439,583
Interest on Investments	63,922	16,206	1,578	81,706	58,116	37,368	34,327	129,811
Net Cash Provided by Investing Activities	<u>\$ 87,933</u>	<u>\$ 16,206</u>	<u>\$ 1,578</u>	<u>\$ 105,717</u>	<u>\$ 497,699</u>	<u>\$ 37,368</u>	<u>\$ 34,327</u>	<u>\$ 569,394</u>
Net Increase (Decrease) in Cash	<u>(\$ 423,573)</u>	<u>(\$ 729,965)</u>	<u>\$ 40,963</u>	<u>(\$ 1,112,575)</u>	<u>\$ 1,632,473</u>	<u>\$ 1,679,626</u>	<u>(\$ 30,714)</u>	<u>\$ 3,281,385</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, 2012 and 2011

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2012</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2011</u>
Balance Forward	(\$ 423,573)	(\$ 729,965)	\$ 40,963	(\$ 1,112,575)	\$ 1,632,473	\$ 1,679,626	(\$ 30,714)	\$ 3,281,385
Cash and Cash Equivalents, Beginning of Year	<u>8,984,576</u>	<u>3,069,010</u>	<u>394,202</u>	<u>12,447,788</u>	<u>7,352,103</u>	<u>1,389,384</u>	<u>424,916</u>	<u>9,166,403</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,561,003</u>	<u>\$ 2,339,045</u>	<u>\$ 435,165</u>	<u>\$ 11,335,213</u>	<u>\$ 8,984,576</u>	<u>\$ 3,069,010</u>	<u>\$ 394,202</u>	<u>\$ 12,447,788</u>
<u>Cash and Cash Equivalents as Presented on the Statement of Net Assets:</u>								
Current Assets: Cash and Cash Equivalents	\$ 8,212,596	\$ 2,258,996	\$ 435,165	\$ 10,906,757	\$ 8,595,126	\$ 2,674,510	\$ 394,202	\$ 11,663,838
Restricted Assets: Cash and Cash Equivalents	<u>348,407</u>	<u>80,049</u>	<u></u>	<u>428,456</u>	<u>389,450</u>	<u>394,500</u>	<u></u>	<u>783,950</u>
	<u>\$ 8,561,003</u>	<u>\$ 2,339,045</u>	<u>\$ 435,165</u>	<u>\$ 11,335,213</u>	<u>\$ 8,984,576</u>	<u>\$ 3,069,010</u>	<u>\$ 394,202</u>	<u>\$ 12,447,788</u>
<u>Reconciliation of Operating Income to Net</u>								
<u>Cash Provided/(Used) by Operating Activities:</u>								
Operating Income/(Loss)	(\$ 3,579,202)	\$ 1,124,249	(\$ 894,171)	(\$ 3,349,124)	(\$ 2,835,479)	\$ 555,499	(\$ 1,020,473)	(\$ 3,300,453)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	932,893	717,993	476,677	2,127,563	900,749	681,839	461,201	2,043,789
(Gain)/Loss on Disposal of Assets	789	(8,317)		(7,528)				
Changes in Certain Assets and Liabilities (Increase)/Decrease in:								
Accounts Receivable	(122,703)	986	(3,347)	(125,064)	297,173	(67,218)	205,180	435,135
Inventory	(322)		(605)	(927)	(8,491)		(2,634)	(11,125)
Deposits and Prepaid Expenses	3,150		(12,615)	(9,465)	(3,150)			(3,150)
Increase/(Decrease) in:								
Cash and Cash Equivalents (Book Overdraft)			(6,893)	(6,893)			(193,864)	(193,864)
Accounts Payable	254,018	(344,186)	(141,689)	(231,857)	(112,283)	131,154	139,984	158,855
Accrued Liabilities	(71,201)	5,384	20,874	(44,943)	17,491	98,975	(13,786)	102,680
Net Cash Provided/(Used) by Operating Activities	<u>(\$ 2,582,578)</u>	<u>\$ 1,496,109</u>	<u>(\$ 561,769)</u>	<u>(\$ 1,648,238)</u>	<u>(\$ 1,743,990)</u>	<u>\$ 1,400,249</u>	<u>(\$ 424,392)</u>	<u>(\$ 768,133)</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, 2012 and 2011

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2012</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2011</u>
<u>Noncash Transactions</u>								
<u>Capital and Related Financing Activities</u>								
Acquisition of Capital Assets	\$ 1,384,051	\$ 1,749,980	\$ 157,306	\$ 3,291,337	\$ 447,777	\$ 4,674,624	\$ 315,788	\$ 5,438,189
Increase in Accounts Payable								
Cash Used for Acquisition of Capital Assets	<u>\$ 1,384,051</u>	<u>\$ 1,749,980</u>	<u>\$ 157,306</u>	<u>\$ 3,291,337</u>	<u>\$ 447,777</u>	<u>\$ 4,674,624</u>	<u>\$ 315,788</u>	<u>\$ 5,438,189</u>
<u>Capital Contributed by Developers</u>								
Contributions of Capital to the District	\$ 152,544	\$ 282,355	\$	\$ 434,899	\$	\$	\$	\$
Less - Contribution of Land and Improvements	(81,759)	(299,829)		(381,588)				
Cash Provided by Contributions	<u>\$ 70,785</u>	<u>(\$ 17,474)</u>	<u>\$ 0</u>	<u>\$ 53,311</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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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, 2012 and 2011

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 11. 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 District applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

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.

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:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. As of June 30, 2012, the District has debt related to capital assets of \$5,913,667.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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, 2012 and 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- D. Cash - 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, and debt securities are valued at their fair values in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net assets. For the fiscal years ended June 30, 2012 and 2011, 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 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, 2012 and 2011

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 Assets - Designations of Net Assets Restricted for Board Reserves are used to show the amounts within unrestricted net assets which the Board has designated for specific purposes, but are not legally restricted. The designated balances at June 30, 2012 and 2011 are as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total</u>
June 30, 2012	\$ 1,909,779	\$ 3,011,006	\$ 40,420	\$ 4,961,205
June 30, 2011	\$ 2,146,266	\$ 2,447,531	\$ 40,420	\$ 4,634,217

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, 2012, the recorded liability was \$289,219 and at June 30, 2011 was \$230,472. 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, 2012 and 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- O. Pension Plan - The District offers a pension plan to eligible employees. 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.

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, restricted, and pension trust 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.

- 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, 2012, the carrying amount of the District's deposits was \$5,005,398. The bank's balances were \$4,641,774. Of this amount, \$4,641,774 was covered by federal depository insurance.

At June 30, 2011, the carrying amount of the District's deposits was \$4,594,662. The bank's balances were \$4,594,860. Of this amount, \$4,532,150 was covered by federal depository insurance. The remaining \$62,710 was covered by collateral equal to at least 110% of the deposit balance and held by the bank's agent or trust department in the bank's name.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

- B. Investments - Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities within the State, State Treasury, bankers' acceptances, and commercial paper of the highest ranking provided by Moody's Investors Service, Inc., or Standard 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, 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.

Structured notes and asset-backed securities comprised 2.75% and 3.19% of LAIF's total portfolio for all investors as of June 30, 2012 and 2011, respectively. Fair value of a pool share was 1.001219643 and 1.001576470 for those same periods. The cost value of a pool share was constant at \$1.00.

	2012		2011	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	\$ 6,325,385	\$ 6,333,100	\$ 7,843,602	\$ 7,855,967

Credit Risk: Investments are categorized to provide an indication of the level of risk assumed by the District. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

B. Investments (Continued):

<u>June 30, 2012</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Government Securities	\$	\$	\$ 232,479		
Other Governmental Entities	<u>602,500</u>				
Total	<u>\$ 602,500</u>	<u>\$ 0</u>	<u>\$ 232,479</u>	<u>\$ 834,979</u>	<u>\$ 0</u>
<u>June 30, 2011</u>					
U.S. Government Securities	\$	\$	\$ 256,490		
Other Governmental Entities	<u>602,500</u>				
Total	<u>\$ 602,500</u>	<u>\$ 0</u>	<u>\$ 256,490</u>	<u>\$ 858,990</u>	<u>\$ 857,795</u>

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.

Investments of the District subject to interest rate risk on June 30, 2012 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
Certificates of Deposit	\$ 360,000	\$ 360,438	7/2012
Certificates of Deposit	130,000	130,373	8/2012
Certificates of Deposit	233,000	234,745	11/2012
Certificates of Deposit	210,000	212,542	2/2013
Certificates of Deposit	303,000	305,385	3/2013
Certificates of Deposit	421,000	424,359	5/2013
Certificates of Deposit	119,000	119,356	8/2013
Certificates of Deposit	344,000	349,450	9/2013
Certificates of Deposit	291,000	303,248	1/2014
Certificates of Deposit	344,000	348,688	2/2014
Certificates of Deposit	240,000	239,309	6/2014
Certificates of Deposit	420,000	420,896	9/2014
Certificates of Deposit	97,000	101,187	1/2015
Certificates of Deposit	118,000	118,814	2/2015
Certificates of Deposit	230,000	229,227	4/2015
Certificates of Deposit	112,000	111,500	5/2015
Certificates of Deposit	133,000	132,318	6/2015
U.S. Government Securities	105,000	105,309	3/2017
Certificates of Deposit	101,000	101,752	4/2017
U.S. Government Securities	105,000	105,058	6/2017
Weighted average maturity			2/2014

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

B. Investments (Continued):

Investments of the District subject to interest rate risk on June 30, 2011 are summarized as follows:

	Cost	Market Value	Maturity
Certificates of Deposit	\$ 97,000	\$ 97,725	9/2011
Certificates of Deposit	97,000	98,327	1/2012
Certificates of Deposit	97,000	98,560	2/2012
Certificates of Deposit	194,000	197,402	3/2012
Certificates of Deposit	435,000	438,149	5/2012
Certificates of Deposit	345,000	347,890	6/2012
Certificates of Deposit	474,000	483,318	7/2012
Certificates of Deposit	130,000	132,360	8/2012
Certificates of Deposit	233,000	237,902	11/2012
Certificates of Deposit	209,991	214,658	2/2013
Certificates of Deposit	303,000	306,030	3/2013
Certificates of Deposit	200,913	206,810	5/2013
Certificates of Deposit	343,787	349,419	9/2013
Certificates of Deposit	291,000	304,758	1/2014
Certificates of Deposit	235,528	239,415	2/2014
U.S. Government Securities	235,000	234,831	6/2014
Certificates of Deposit	97,000	100,390	1/2015
Weighted average maturity			1/2013

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2012</u>	<u>2011</u>
Cash Deposits and on Hand	\$ 5,007,197	\$ 4,594,662
LAIF	6,325,385	7,843,602
Investments	<u>834,979</u>	<u>858,990</u>
	<u>\$ 12,167,561</u>	<u>\$ 13,297,254</u>
 <u>Cash and Investments</u>		
<u>Classified in the Balance Sheet:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 10,906,757	\$ 11,663,838
Restricted	428,456	783,950
Restricted (Book Overdraft)	(2,631)	(9,524)
	<u>\$ 11,332,582</u>	<u>\$ 12,438,264</u>
Investments:		
Unrestricted	\$ 232,479	\$ 256,490
Restricted	<u>602,500</u>	<u>602,500</u>
	<u>\$ 834,979</u>	<u>\$ 858,990</u>
	<u>\$ 12,167,561</u>	<u>\$ 13,297,254</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 3 ACCOUNTS RECEIVABLE:

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

	<u>2012</u>	<u>2011</u>
Service Charges	\$ 179,227	\$ 167,531
Taxes, Net of Allowance for Doubtful Accounts of \$267,995 and \$267,995 for 2012 and 2011, Respectively (1)	<u>260,280</u>	<u>93,978</u>
	<u>\$ 439,507</u>	<u>\$ 261,509</u>

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

	<u>2012</u>	<u>2011</u>
Interest	\$ 7,833	\$ 7,745
Grants	<u>167,994</u>	<u>221,016</u>
	<u>\$ 175,827</u>	<u>\$ 228,761</u>

Note:

(1) Includes Property Taxes Receivable under Prop 1A in the amount of \$267,995, for both 2012 and 2011. Under the provisions of Proposition 1 A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue. The state is required to repay this borrowing plus interest by June 30, 2013.

This borrowing by the State of California was recognized in the accompanying financial statements as a receivable and revenue in the fiscal year for which they were levied (fiscal year 2009-10). Management has accrued an allowance for bad debts at that time of the same amount due to the uncertainty of the State's ability to repay the loan when due.

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE 4 RESTRICTED ASSETS AND LIABILITIES:

Restricted assets at June 30, 2012 are identified by use as follows:

<u>Restricted Assets:</u>	<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>
Cash and Cash Equivalents	\$ 348,407	\$ 80,049	\$	\$ 428,456
Investments		602,500		602,500
Accounts Receivable		115,031	60,796	175,827
Deposits and Prepaid Expenses			17,615	17,615
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Restricted Assets	<u>\$ 348,407</u>	<u>\$ 797,580</u>	<u>\$ 78,411</u>	<u>\$ 1,224,398</u>

Current Liabilities (Payable from Restricted Assets):

Cash and Cash Equivalents (Book Overdraft)	\$	\$	\$ 2,631	\$ 2,631
Accounts Payable	<u>134,739</u>	<u>184,974</u>	<u>24,745</u>	<u>344,458</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Restricted Liabilities	<u>\$ 134,739</u>	<u>\$ 184,974</u>	<u>\$ 27,376</u>	<u>\$ 347,089</u>

Restricted assets at June 30, 2011 are identified by use as follows:

<u>Restricted Assets:</u>	<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>
Cash and Cash Equivalents	\$ 389,450	\$ 394,500	\$	\$ 783,950
Investments		602,500		602,500
Accounts Receivable	11,541	135,303	81,917	228,761
Deposits and Prepaid Expenses			5,000	5,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Restricted Assets	<u>\$ 400,991</u>	<u>\$ 1,132,303</u>	<u>\$ 86,917</u>	<u>\$ 1,620,211</u>

Current Liabilities (Payable from Restricted Assets):

Cash and Cash Equivalents (Book Overdraft)	\$	\$	\$ 9,524	\$ 9,524
Accounts Payable	<u>86,849</u>	<u>500,836</u>	<u>72,393</u>	<u>660,078</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Restricted Liabilities	<u>\$ 86,849</u>	<u>\$ 500,836</u>	<u>\$ 81,917</u>	<u>\$ 669,602</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 5

PENSION PLAN:

Defined Contribution Plan:

The District has a defined contribution money purchase pension plan (the North Tahoe Public Utility District Money Purchase Pension Plan) that is maintained and controlled by elected employees and Board members as trustees. No other entity contributed to this plan. The last contribution to this plan was made on August 27, 2010 and the District switched to a defined benefit plan with California Public Employees' Retirement System (CalPERS). This plan was frozen and no more contributions were made during the year.

Eligibility - All employees are eligible after 1,000 hours of employment and if they are at least 21 years of age.

Contributions - The District paid a required contribution of 7% of the employees' base rate of pay and the District also contributed an additional 8% of the employees' base rate of pay. Employees are not required to contribute to the plan.

Vesting - Vesting for required employer contributions is 0% until five (5) years at which time vesting is 100%. For voluntary employee contributions, employees are 100% vested upon contribution to the plan.

Total payroll for the year ended June 30, 2011 was \$467,700, of which \$384,105 was eligible for pension contributions. Total pension contribution for the fiscal year ended June 30, 2011 was \$71,272.

During the fiscal years ended June 30, 2012 and 2011, the pension plan had not invested in any of the District's securities nor did it loan any monies to the District.

Defined Benefit Plan:

Plan Description:

The North Tahoe Public Utility District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The miscellaneous plan (Plan) is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employees within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 Q Street - Sacramento, CA 95811.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 5 PENSION PLAN (Continued):

Funding Policy:

Active plan members are required to contribute 7% of their annual covered salary. The District makes the contributions required of District's employees on their behalf and for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The employer contribution rates were 9.539% and 8.475% for the years ended June 30, 2012 and 2011, respectively. The contribution rate was established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal years ended June 30, 2012 and 2011, the District's annual pension costs were \$455,971 and \$323,598, respectively and were equal to the District's required and actual contributions.

Trend Information for North Tahoe Public Utility
District's Defined Benefit Pension Plan:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 323,598	100%	\$ 0
6/30/2012	\$ 455,971	100%	\$ 0

The required contribution for fiscal year 2012 was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), and (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% depending on age, service and type of employment. Both (a) and (b) include an inflation component of 2.75%, payroll growth of 3.00%, and individual salary growth using a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a 20 year period. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 20 years.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 5 PENSION PLAN (Continued):

Funding Status and Funding Progress:

Because the plan had less than 100 active members in the valuation as of June 30, 2011, the plan is required to participate in a risk pool. The following information pertains to the District's separate valuation of the total Miscellaneous 2% at 55 Risk Pool.

As of June 30, 2011, the most recent actuarial valuation date, the plan was 81.8% funded. The actuarial accrued liability for benefits was \$389,441 and the actuarial value of the assets was \$348,601, resulting in an unfunded actuarial liability (UAAL) of \$40,840. The covered payroll (annual payroll of active employees covered under by the plan) was \$2.7 million, and the ratio of the UAAL to the covered payroll was 1.5%.

Three-Year Trend Information:

The June 30, 2011 actuarial valuation was the first valuation performed for the District since it joined CalPERS in 2009; therefore, the required three-year trend information was not available for disclosure in these financial statements. Such information will be included in future disclosures as they become available.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 6 CAPITAL ASSETS:

The following is a summary of the capital assets at June 30, 2012:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 905,912	\$	\$	\$ 905,912
Construction In Progress	398,037	365,271	(142,320)	620,988
Total Capital Assets not being Depreciated	\$ 1,303,949	\$ 365,271	(\$ 142,320)	\$ 1,526,900
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 2,041,791	\$	\$	\$ 2,041,791
Sewage System	27,265,377	1,089,233		28,354,610
Vehicles and Equipment	4,554,947	138,672	(43,273)	4,650,346
Furniture and Office Equipment	679,966	14,954		694,920
Total Capital Assets being Depreciated	\$ 34,542,081	\$ 1,242,859	(\$ 43,273)	\$ 35,741,667
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 1,054,989	\$ 52,500	\$	\$ 1,107,489
Sewage System	15,367,297	631,126		15,998,423
Vehicles and Equipment	3,839,651	214,407	(37,091)	4,016,967
Furniture and Office Equipment	638,357	34,860		673,217
Total Accumulated Depreciation	\$ 20,900,294	\$ 932,893	(\$ 37,091)	\$ 21,796,096
Net Capital Assets	\$ 14,945,736	\$ 675,237	(\$ 148,502)	\$ 15,472,471

The above amounts include \$497,192 of cost and \$406,505 of accumulated depreciation for equipment purchased under capital lease obligations.

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 780,047	\$	\$	\$ 780,047
Construction In Progress	5,067,583	1,275,570	(1,351,971)	4,991,182
Total Capital Assets not being Depreciated	\$ 5,847,630	\$ 1,275,570	(\$ 1,351,971)	\$ 5,771,229
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 21,743,635	\$ 2,114,699		\$ 23,858,334
Vehicles and Equipment	200,488	11,511		211,999
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	\$ 21,980,042	\$ 2,126,210	\$ 0	\$ 24,106,252
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 9,811,256	\$ 702,306	\$	\$ 10,513,562
Vehicles and Equipment	136,299	12,186		148,485
Furniture and Office Equipment	22,498	3,501		25,999
Total Accumulated Depreciation	\$ 9,970,053	\$ 717,993	\$	\$ 10,688,046
Net Capital Assets	\$ 17,857,619	\$ 2,683,787	(\$ 1,351,971)	\$ 19,189,435

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 6 CAPITAL ASSETS (Continued):

Recreation Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 7,025,000	\$	\$	\$ 7,025,000
Construction In Progress	<u>286,958</u>	<u>136,429</u>	<u>(147,646)</u>	<u>275,741</u>
 Total Capital Assets not being Depreciated	 <u>\$ 7,311,958</u>	 <u>\$ 136,429</u>	 <u>(\$ 147,646)</u>	 <u>\$ 7,300,741</u>
 <u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 13,004,777	\$ 168,523	\$	\$ 13,173,300
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	<u>135,028</u>			<u>135,028</u>
 Total Capital Assets being Depreciated	 <u>\$ 13,840,787</u>	 <u>\$ 168,523</u>	 <u>\$</u>	 <u>\$ 14,009,310</u>
 <u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 4,375,598	\$ 457,289	\$	\$ 4,832,887
Vehicles and Equipment	661,239	18,939		680,178
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	<u>133,904</u>	<u>449</u>		<u>134,353</u>
 Total Accumulated Depreciation	 <u>\$ 6,664,858</u>	 <u>\$ 476,677</u>	 <u>\$</u>	 <u>\$ 7,141,535</u>
 Net Capital Assets	 <u>\$ 14,487,887</u>	 <u>(\$ 171,725)</u>	 <u>(\$ 147,646)</u>	 <u>\$ 14,168,516</u>
 <u>Total of Net Assets:</u>				
Sewer Department				\$ 15,472,471
Water Department				19,189,435
Recreation Department				<u>14,168,516</u>
				 <u>\$ 48,830,422</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2011:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 905,912	\$	\$	\$ 905,912
Construction In Progress	517,657	279,449	(399,069)	398,037
Total Capital Assets not being Depreciated	\$ 1,423,569	\$ 279,449	(\$ 399,069)	\$ 1,303,949
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 2,041,791	\$	\$	\$ 2,041,791
Sewage System	26,892,155	373,222		27,265,377
Vehicles and Equipment	4,360,774	194,173		4,554,947
Furniture and Office Equipment	679,966			679,966
Total Capital Assets being Depreciated	\$ 33,974,686	\$ 567,395	\$ 0	\$ 34,542,081
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 1,002,489	\$ 52,500	\$	\$ 1,054,989
Sewage System	14,754,453	612,844		15,367,297
Vehicles and Equipment	3,632,487	207,164		3,839,651
Furniture and Office Equipment	610,116	28,241		638,357
Total Accumulated Depreciation	\$ 19,999,545	\$ 900,749	\$ 0	\$ 20,900,294
Net Capital Assets	\$ 15,398,710	(\$ 53,905)	(\$ 399,069)	\$ 14,945,736

The above amounts include \$497,192 of cost and \$335,478 of accumulated depreciation for equipment purchased under capital lease obligations.

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 780,047	\$	\$	\$ 780,047
Construction In Progress	1,670,542	4,050,892	(653,851)	5,067,583
Total Capital Assets not being Depreciated	\$ 2,450,589	\$ 4,050,892	(\$ 653,851)	\$ 5,847,630
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 20,496,067	\$ 1,247,568		\$ 21,743,635
Vehicles and Equipment	170,473	30,015		200,488
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	\$ 20,702,459	\$ 1,277,583	\$ 0	\$ 21,980,042
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 9,142,938	\$ 668,318	\$	\$ 9,811,256
Vehicles and Equipment	126,494	9,805		136,299
Furniture and Office Equipment	18,782	3,716		22,498
Total Accumulated Depreciation	\$ 9,288,214	\$ 681,839	\$ 0	\$ 9,970,053
Net Capital Assets	\$ 13,864,834	\$ 4,646,636	(\$ 653,851)	\$ 17,857,619

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 6 CAPITAL ASSETS (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	259,451	155,596	(128,089)	286,958
Total Capital Assets not being Depreciated	<u>\$ 7,311,958</u>	<u>\$ 155,596</u>	<u>(\$ 128,089)</u>	<u>\$ 7,311,958</u>
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 12,716,496	\$ 288,281	\$	\$ 13,004,777
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	<u>\$ 13,552,506</u>	<u>\$ 288,281</u>	<u>\$ 0</u>	<u>\$ 13,840,787</u>
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 3,935,376	\$ 440,222	\$	\$ 4,375,598
Vehicles and Equipment	640,921	20,318		661,239
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	133,243	661		133,904
Total Accumulated Depreciation	<u>\$ 6,203,657</u>	<u>\$ 461,201</u>	<u>\$ 0</u>	<u>\$ 6,664,858</u>
Net Capital Assets	<u>\$ 14,633,300</u>	<u>(\$ 17,324)</u>	<u>(\$ 128,089)</u>	<u>\$ 14,487,887</u>
<u>Total of Net Assets:</u>				
Sewer Department				\$ 14,945,736
Water Department				17,857,619
Recreation Department				<u>14,487,887</u>
				<u>\$ 47,291,242</u>

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, 2012					
Certificates of Participation	<u>\$ 1,965,000</u>	<u>\$ 0</u>	<u>(\$ 635,000)</u>	<u>\$ 1,330,000</u>	<u>\$ 655,000</u>
June 30, 2011					
Certificates of Participation	<u>\$ 2,580,000</u>	<u>\$ 0</u>	<u>(\$ 615,000)</u>	<u>\$ 1,965,000</u>	<u>\$ 635,000</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 7 LONG-TERM DEBT (Continued):

Future annual principal payments range from \$655,000 to \$675,000 with interest rates of 3.20% to 3.35%, beginning February 1, 2013. Final payment is due February 1, 2014.

The Certificates represent 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 is 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>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
June 30, 2012					
Installment Note	\$ 4,500,000	\$ 0	\$ 0	\$ 4,500,000	\$ 0
June 30, 2011					
Installment Note	\$ 0	\$ 4,500,000	\$ 0	\$ 4,500,000	\$ 0

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 7 LONG-TERM DEBT (Continued):

C. Capital Lease Obligations:

1. Federal Signal Leasing

The District has a capital lease for equipment with Federal Signal Leasing. Annual payments are \$49,823 and include interest at 5.07%. Final payment is due February 2013. \$ 47,419

2. Municipal Finance Corporation

The District has a capital lease for equipment with Municipal Finance Corporation. Annual payments are \$35,422 and include interest at 4.00%. Final payment is due March 2013. 36,248

\$ 83,667

The assets under capital leases are included with fixed assets and are being depreciated over their estimated useful lives.

D. Summary of Long Term Debt:

Total Debt

Certificates of Participation \$ 1,330,000

Installment Note 4,500,000

Capital Lease Obligations 83,667

Total Debt \$ 5,913,667

Interest Expense:

Total interest incurred was \$218,348 and \$206,611 for 2012 and 2011, respectively. As of June 30, 2012, \$177,750 was capitalized and \$40,598 was expensed. As of June 30, 2011, \$141,213 was capitalized and \$65,398 was expensed.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 7 LONG-TERM DEBT (Continued):

E. Debt Service Requirements:

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

June 30	Capital Lease Obligations	Certificates of Participation	Installment Note	Total Principal	Interest	Total Debt Service
2013	\$ 83,677	\$ 655,000	\$	\$ 738,677	\$ 224,595	\$ 963,272
2014		675,000	270,834	945,834	197,715	1,143,549
2015			281,638	281,638	164,298	445,936
2016			292,872	292,872	153,064	445,936
2017			304,555	304,555	141,381	445,936
Thereafter			3,350,101	3,350,101	663,321	4,013,422
Total Debt	\$ 83,677	\$ 1,330,000	\$ 4,500,000	\$ 5,913,677	\$ 1,544,374	\$ 7,458,051
Less: Current Portion	(83,677)	(655,000)		(738,677)	(224,595)	(963,272)
Total Long Term Debt, Net of Current Portion	\$ 0	\$ 675,000	\$ 4,500,000	\$ 5,175,000	\$ 1,319,779	\$ 6,494,779

NOTE 8 COMMITMENTS AND CONTINGENCIES:

Construction Commitments:

The District has entered into design and construction commitments totaling \$9,654,297 and \$7,732,764 for fiscal years ended June 30, 2012 and 2011, respectively. As of June 30, 2012, the amount earned on the contracts was \$6,984,055 with a remaining balance of \$2,670,242. As of June 30, 2011, the amount earned on the contracts was \$6,503,278, with a remaining balance of \$1,229,486.

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.

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.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 10 OPERATING LEASES:

The District leases office equipment. The terms of the leases run through the fiscal year ending June 30, 2014, with both monthly and quarterly payments.

Minimum annual lease payments are as follows:

Year Ending June 30,	
2013	\$ 26,184
2014	<u>26,183</u>
Total	<u>\$ 52,367</u>

Payments under the lease agreements during the fiscal year ended June 30, 2012 and 2011 were \$33,506 and \$38,787, respectively.

NOTE 11 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, 2012 and 2011, the District paid the SDRMA \$120,999 and \$209,418, respectively, for workers' compensation insurance coverage.

NOTE 12 NEW PRONOUNCEMENTS:

The GASB issued GASB Statement 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, in June of 2011 and March of 2012, respectively. The District is required to implement GASB 63 and GASB 65 during the June 30, 2013 fiscal year-end. GASB 63 renames net assets as net position and provides guidance on the definition and presentation of deferred outflows of resources (a consumption of net assets applicable to a future reporting period) and deferred inflows of resources (an acquisition of net assets applicable to a future reporting period). GASB 65 will impact certain items previously reported as assets and liabilities by (a) reclassifying them as deferred outflows or inflows of resources, or (b) recognizing them as outflows or inflows of resources. Both GASB 63 and 65 are required to be implemented retroactively and will require a restatement of beginning net position. The District is reviewing GASBs 63 and 65, and will determine the effect on the financial statements as of and for the year ending June 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that was included in Financial Accounting Standards Board (FASB), Accounting Principles

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 12 NEW PRONOUNCEMENTS (Continued):

Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure that were issued on or before November 30, 1989, which did not conflict with or contradict GASB pronouncements. This Statement also eliminates the election for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. Management has evaluated the effects of this statement and has determined that it will not have a material impact on the District's financial statements other than changes to current disclosure requirements. This Statement will be effective for the fiscal year beginning July 1, 2014.

In June of 2012, the GASB issued GASB Statement 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, with required implementation for the District during the June 30, 2015, fiscal year-end. GASB 68 is an amendment of GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 is required to be implemented retroactively and will require a restatement of beginning net assets.

NOTE 13 SUBSEQUENT EVENTS:

The District's management has evaluated subsequent events through December 28, 2012, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

North Tahoe Public Utility District

COMPARISON OF BUDGET TO ACTUAL

June 30, 2012

<u>Revenues:</u>	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Budget</u>
Service Charges	\$ 5,319,838	\$ 5,489,966	\$ 170,128
Recreation Events and Programs	891,000	956,206	65,206
Property Taxes/CFD 94-1	3,775,000	4,064,222	289,222
Investment Income	62,800	81,706	18,906
Grants	325,721	407,018	81,297
Miscellaneous/Gain on Property Sale	18,396	18,396	18,396
Capital Contributions	29,334	434,899	405,565
	<u>\$ 10,403,693</u>	<u>\$ 11,452,413</u>	<u>\$ 1,048,720</u>
 <u>Expenses:</u>			
Direct Operating Expenses	\$ 4,034,376	\$ 4,807,570	(\$ 773,194)
Administration and General	4,126,864	2,860,163	1,266,701
Depreciation	1,990,000	2,127,563	(137,563)
Interest Expense	70,167	44,100	26,067
Fiscal Agent Fees	79,000	77,922	1,078
	<u>\$ 10,300,407</u>	<u>\$ 9,917,318</u>	<u>(\$ 383,089)</u>
 Total Favorable Variance	 <u>\$ 103,286</u>	 <u>\$ 1,535,095</u>	 <u>\$ 1,431,809</u>