

NORTH TAHOE PUBLIC UTILITY DISTRICT

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

For the Fiscal Years Ended June 30, 2011 and 2010



North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2011 and 2010

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

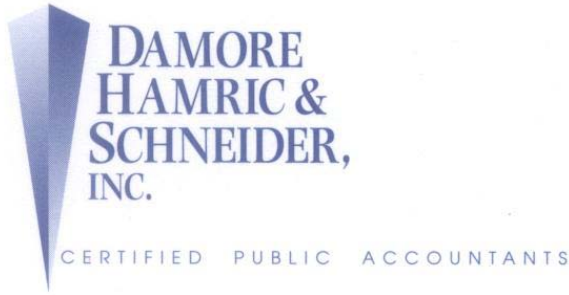
Larry Marple, Chief Financial Officer

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, 2011 and 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2011 and 2010, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the North Tahoe Public Utility District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the North Tahoe Public Utility District taken as a whole. The accompanying schedules 1- 3 are presented for purposes of additional analysis and as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on pages 6 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



DAMORE, HAMRIC & SCHNEIDER, INC.

Certified Public Accountants

November 30, 2011

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT

The District's Current Assets increased \$2,363,097 from \$10,098,781 to \$12,461,878. Net Capital Assets rose from \$43,896,844 to \$47,291,242 an increase of \$3,394,398. The District's Total Assets increased by \$5,815,340 to \$61,373,331. Current Liabilities (Payable from Current Assets) increased by \$137,872 to \$1,625,576. Current Liabilities (Payable from Restricted Assets) decreased \$46,727 from \$716,329 to \$669,602. Noncurrent Liabilities increased \$3,788,372 from \$2,125,310 to \$5,913,682 reflecting a new debt issue in the amount of \$4,500,000 to fund Water department capital projects. The new debt was partially offset by the principal payment on the Water department's Certificate of Participation. Net Assets Invested in Capital Assets, Net of Related Debt decreased by \$417,448 as depreciation and related debt exceeded the addition of new Capital Assets. Restricted Net Assets increased by \$104,573 driven by the completion of capital projects. Unrestricted Net Assets which have been designated for Board Reserves increased by \$1,758,460 from \$2,875,757 to \$4,634,217. Unrestricted Net Assets which are undesignated grew by \$490,238 or 8% from \$6,425,184 to \$6,915,422.

FINANCIAL HIGHLIGHTS - SEWER FUND

Current Unrestricted Assets increased \$721,073 from \$8,584,425 to \$9,305,498. Restricted Assets increased \$186,285 from \$214,706 to \$400,991. Net Capital Assets decreased by \$452,974 from \$15,398,710 to \$14,945,736 as Accumulated Depreciation increased more than the additions to Capital Assets. The Dollar Main Generator Installation and Manhole Replacement projects contributed to the increase by adding \$278,222 and \$95,000 respectively to the sewer system while \$900,749 of Accumulated Depreciation resulted in an overall reduction in the net Capital Asset amount. Current Liabilities (Payable from Current Assets) decreased \$48,627 from \$648,121 to \$599,494. Current Liabilities (Payable from Restricted Assets) decreased by \$42,691. Noncurrent Liabilities decreased \$76,628 from \$160,310 to \$83,682. Unrestricted Net Assets increased \$773,173 from \$8,011,168 to \$8,784,341. Total Net Assets increased by \$622,330, from \$23,259,870 to \$23,882,200. Operating Revenues increased by \$52,130 from \$1,608,465 to \$1,660,595. Total Operating Expenses were \$602,385 lower than 2010. Property Tax revenue of \$3,448,170 exceeded the prior year amount by \$146,187. Investment income decreased by \$163,312. Grant revenue decreased by \$12,117 over 2010. The total Change in Net Assets for 2011 was an increase of \$622,330 a \$591,934 improvement over 2010.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

FINANCIAL HIGHLIGHTS - WATER FUND

Current Assets increased \$1,670,104 from \$1,089,096 to \$2,759,200. Restricted Assets increased by \$76,740. Net Capital Assets increased \$3,992,785 due primarily to three large projects; The Kings Beach Water Storage Zone 1, the 2009 Water Main Replacement Project – Kingswood and the 2009 WMRP – Carnelian Bay West projects, contributing \$1,148,295, \$1,373,941 and \$1,257,970 respectively to the water system. Current Liabilities (Payable from Current Assets) increased \$128,616 from \$735,601 to \$864,217. Current Liabilities (Payable from Restricted Assets) increased by \$121,513. Noncurrent Liabilities increased by \$3,865,000 as a net result of the issuance of a \$4,500,000 installment sale agreement and the annual principal payment on the Certificates of Participation of \$615,000. Unrestricted Net Assets increased \$1,561,488 from \$968,495 to \$2,529,983. Total Net Assets increased by \$1,624,500 bringing the new amount to \$14,554,069. Revenues grew by \$99,621. Total Operating Expenses increased \$795,039 over 2010. Interest Expense was \$37,607 lower in 2011 than in 2010.

FINANCIAL HIGHLIGHTS - RECREATION FUND

Current Assets decreased \$28,080 from \$425,260 to \$397,180. Restricted Assets decreased by \$205,180 to \$86,917. Capital Assets net of Accumulated Depreciation decreased by a net of \$145,413 to \$14,487,887. Decreases were due to depreciation of \$461,201 exceeding the new capital projects' amount of \$315,788. Increases to Capital Assets included \$288,281 of completed projects at the Tahoe Vista Recreation Area. Current Liabilities (Payable from Current Assets) increased \$57,883 from \$103,982 to \$161,865. Current Liabilities (Payable from Restricted Assets) decreased \$125,549 from \$207,466 to \$81,917. Unrestricted Net Assets decreased by \$85,963 to close at \$235,315. Total Net Assets decreased by \$311,007 from \$15,039,209 to \$14,728,202. Recreation Events and Program Revenues were \$102,478 lower than they were in 2010, at \$781,267. Total Operating Expenses decreased by \$531,401. The Recreation assessment called Community Facilities District 94-1 (CFD 94-1) brought in \$513,691 in 2011, \$10,079 more than 2010. Grant revenue was lower than 2010 by \$100,901. The \$311,007 decrease in Net Assets was \$375,950 less of a decrease than the \$686,957 decrease in 2010.

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, 2011

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 2010/2011?" 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, 2011

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 6/30/2011	FYE 6/30/2010	Change in Dollars	Percent Change
Current Assets	\$ 12,461,878	\$ 10,098,781	\$ 2,363,097	23%
Restricted Assets	1,620,211	1,562,366	57,845	4%
Net Capital Assets	<u>47,291,242</u>	<u>43,896,844</u>	<u>3,394,398</u>	8%
 Total Assets	 <u>\$ 61,373,331</u>	 <u>\$ 55,557,991</u>	 <u>\$ 5,815,340</u>	 10%
Current Liabilities Unrestricted	\$ 1,625,576	\$ 1,487,704	\$ 137,872	9%
Current Liabilities Restricted	669,602	716,329	(46,727)	-7%
Long Term Liabilities	<u>5,913,682</u>	<u>2,125,310</u>	<u>3,788,372</u>	178%
 Total Liabilities	 <u>\$ 8,208,860</u>	 <u>\$ 4,329,343</u>	 <u>\$ 3,879,517</u>	 90%
Invested in Capital Assets, Net of Related Debt	\$ 40,664,223	\$ 41,081,671	(\$ 417,448)	-1%
Restricted for Capital Outlay	336,940	231,494	105,446	46%
Restricted for Debt Service	613,669	614,542	(873)	0%
Unrestricted (Designated for Board Reserves)	4,634,217	2,875,757	1,758,460	61%
Unrestricted (Undesignated)	<u>6,915,422</u>	<u>6,425,184</u>	<u>490,238</u>	8%
 Total Net Assets	 <u>\$ 53,164,471</u>	 <u>\$ 51,228,648</u>	 <u>\$ 1,935,823</u>	 4%

As can be seen from the table above, Net Assets grew by \$1,935,823 from \$51,228,648 to \$53,164,471. The makeup of Net Assets changed as amounts invested in Capital Assets decreased by \$417,448 or 1%, while amounts Unrestricted (Designated for Board Reserves) increased by \$1,758,460 or 61% and Unrestricted (Undesignated) grew by 8% or \$490,238 from \$6,425,184 to \$6,915,422.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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

	FYE 6/30/2011	FYE 6/30/2010	Change in Dollars	Percent Change
Operating Revenues	\$ 6,373,902	\$ 6,324,629	\$ 49,273	1%
Operating Expenses	<u>9,674,355</u>	<u>10,013,102</u>	(338,747)	- 3%
Net Operating Loss	(\$ 3,300,453)	(\$ 3,688,473)	\$ 388,020	- 11%
Property Tax Revenues	\$ 3,961,861	\$ 3,805,595	\$ 156,266	4%
Other Non-Operating Revenues & Expenses	<u>1,005,281</u>	<u>606,343</u>	<u>398,938</u>	66%
Non-Operating Revenues & Expenses	<u>\$ 4,967,142</u>	<u>\$ 4,411,938</u>	<u>\$ 555,204</u>	13%
Income Before Capital Contributions	\$ 1,666,689	\$ 723,465	\$ 943,224	130%
Capital Contributions/Connection Fees	<u>269,134</u>	<u>3,254</u>	<u>265,880</u>	8171%
Change in Net Assets	\$ 1,935,823	\$ 726,719	\$ 1,209,104	166%
Beginning Net Assets	<u>51,228,648</u>	<u>50,501,929</u>	<u>726,719</u>	1%
Ending Net Assets	<u>\$ 53,164,471</u>	<u>\$ 51,228,648</u>	<u>\$ 1,935,823</u>	4%

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 increase in Net Assets in FY 2011 was \$1,209,104 more than the increase in FY 2010 due to a decrease of \$388,020 in the Net Operating Loss, \$555,201 net increase in Non-Operating Revenue & Expenses, and a \$265,880 increase in Capital Contributions. Total Operating Revenues increased by \$49,273 while total Operating Expenses decreased by 3% or \$338,747. Property Tax (including CFD 94-1) Revenues increased by 4% or \$156,266 while Other Non-Operating Revenue & Expenses increased due largely to an increase in grant revenue of \$501,503 and an decrease in investment income of \$111,327. Capital Contributions/Connection Fees increased from \$3,254 in 2010 to \$269,134 in 2011.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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 2011 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues	\$ 6,698,434	\$ 6,373,902	(\$ 324,532)
Operating Expenses	11,411,914	9,674,355	1,737,559
Net Operating Loss	(\$ 4,713,480)	(\$ 3,300,453)	\$ 1,413,027
Property Tax Revenues	\$ 4,390,000	\$ 3,961,861	(\$ 428,139)
Other Non-Operating Revenues & Expenses	81,400	1,005,281	923,881
Non-Operating Revenues & Expenses	\$ 4,471,400	\$ 4,967,142	(\$ 495,742)
Income Before Capital Contributions	(\$ 242,080)	\$ 1,666,689	\$ 1,908,769
Capital Contributions/Connection Fees	\$ 55,000	\$ 269,134	\$ 214,134
Change in Net Assets	(\$ 187,080)	\$ 1,935,823	\$ 2,122,903

Operating Revenues of \$6,373,902 fell below the Budget of \$6,698,434 creating an unfavorable variance of \$324,532. Service Charges were \$282,279 less than budgeted. Recreation Events & Programs were under budget by \$42,253 reporting \$781,267 versus a budget of \$823,520. Property Taxes/CFD 94-1 revenues were \$428,139 less than Budgeted. Capital Contributions – Connection Fees provided \$269,134, \$214,134 more than the \$55,000 Budget. Grants were over budget by \$135,871 while Investment Income was \$94,505 under budget.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

CAPITAL ASSETS

Table A-4
Condensed Statement of Fixed Assets

	FYE 6/30/2011	FYE 6/30/2010	Change in Dollars	Percent Change
Fixed Assets	\$ 79,073,869	\$ 76,940,610	\$ 2,133,259	3%
Construction in Process	<u>5,752,578</u>	<u>2,447,650</u>	<u>3,304,928</u>	135%
	<u>\$ 84,826,447</u>	<u>\$ 79,388,260</u>	<u>\$ 5,438,187</u>	7%
Accumulated Depreciation	(<u>37,535,205</u>)	(<u>35,491,416</u>)	(<u>2,043,789</u>)	6%
Net Capital Assets	<u>\$ 47,291,242</u>	<u>\$ 43,896,844</u>	<u>\$ 3,394,398</u>	8%

At the end of fiscal year 2011, the District had \$47,291,242 invested in capital assets as shown in Table A-4. Fixed Assets grew by \$2,133,259 or 3%. This increase included \$567,395 of Sewer Projects, \$1,277,583 of Water Projects and \$288,281 Recreation and Park Projects. The additions included a \$910,191 for the Kings Beach Water Storage Zone 2 Lake Vista Project and \$278,222 for the Dollar Main Generator Installation Project. Construction in Process increased by \$3,304,928 and includes \$1,373,941 and \$1,257,970 for the 2009 WMRP – Kingswood and 2009 WMRP – Carnelian Bay West projects respectively. Accumulated Depreciation grew by \$2,043,789.

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, 2011 and 2010

<u>Assets:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2011</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2010</u>
Current Assets:								
Cash and Cash Equivalents	\$ 8,595,126	\$ 2,674,510	\$ 394,202	\$ 11,663,838	\$ 7,206,096	\$ 1,000,766	\$ 424,916	\$ 8,631,778
Investments	256,490			256,490	696,073			696,073
Accounts Receivable	176,819	84,690		261,509	416,834	88,330		505,164
Inventory	268,275		2,978	271,253	259,784		344	260,128
Deposits and Prepaid Expenses	8,788			8,788	5,638			5,638
Total Current Assets	<u>\$ 9,305,498</u>	<u>\$ 2,759,200</u>	<u>\$ 397,180</u>	<u>\$ 12,461,878</u>	<u>\$ 8,584,425</u>	<u>\$ 1,089,096</u>	<u>\$ 425,260</u>	<u>\$ 10,098,781</u>
Restricted Assets:								
Cash and Cash Equivalents	\$ 389,450	\$ 394,500	\$	\$ 783,950	\$ 146,007	\$ 388,618	\$	\$ 534,625
Investments		602,500		602,500		602,500		602,500
Accounts Receivable	11,541	135,303	81,917	228,761	68,699	64,445	287,097	420,241
Deposits and Prepaid Expenses			5,000	5,000			5,000	5,000
Total Restricted Assets	<u>\$ 400,991</u>	<u>\$ 1,132,303</u>	<u>\$ 86,917</u>	<u>\$ 1,620,211</u>	<u>\$ 214,706</u>	<u>\$ 1,055,563</u>	<u>\$ 292,097</u>	<u>\$ 1,562,366</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,945,736</u>	<u>\$ 17,857,619</u>	<u>\$ 14,487,887</u>	<u>\$ 47,291,242</u>	<u>\$ 15,398,710</u>	<u>\$ 13,864,834</u>	<u>\$ 14,633,300</u>	<u>\$ 43,896,844</u>
Total Assets	<u>\$ 24,652,225</u>	<u>\$ 21,749,122</u>	<u>\$ 14,971,984</u>	<u>\$ 61,373,331</u>	<u>\$ 24,197,841</u>	<u>\$ 16,009,493</u>	<u>\$ 15,350,657</u>	<u>\$ 55,557,991</u>

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

North Tahoe Public Utility District

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

<u>Liabilities:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2011</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2010</u>
Current Liabilities (Payable from Current Assets):								
Accounts Payable	\$ 102,124	\$ 68,994	\$ 109,358	\$ 280,476	\$ 171,716	\$ 59,353	\$ 37,689	\$ 268,758
Accrued Liabilities	419,033	160,223	52,507	631,763	401,542	61,248	66,293	529,083
Current Portion of Long-Term Debt	<u>78,337</u>	<u>635,000</u>	<u> </u>	<u>713,337</u>	<u>74,863</u>	<u>615,000</u>	<u> </u>	<u>689,863</u>
Total Current Liabilities (Payable from Current Assets)	<u>\$ 599,494</u>	<u>\$ 864,217</u>	<u>\$ 161,865</u>	<u>\$ 1,625,576</u>	<u>\$ 648,121</u>	<u>\$ 735,601</u>	<u>\$ 103,982</u>	<u>\$ 1,487,704</u>
Current Liabilities (Payable from Restricted Assets):								
Cash and Cash Equivalents (Book Overdraft)	\$	\$	\$ 9,524	\$ 9,524	\$	\$	\$ 203,388	\$ 203,388
Accounts Payable	<u>86,849</u>	<u>500,836</u>	<u>72,393</u>	<u>660,078</u>	<u>129,540</u>	<u>379,323</u>	<u>4,078</u>	<u>512,941</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 86,849</u>	<u>\$ 500,836</u>	<u>\$ 81,917</u>	<u>\$ 669,602</u>	<u>\$ 129,540</u>	<u>\$ 379,323</u>	<u>\$ 207,466</u>	<u>\$ 716,329</u>
Total Current Liabilities	<u>\$ 686,343</u>	<u>\$ 1,365,053</u>	<u>\$ 243,782</u>	<u>\$ 2,295,178</u>	<u>\$ 777,661</u>	<u>\$ 1,114,924</u>	<u>\$ 311,448</u>	<u>\$ 2,204,033</u>
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	<u>\$ 83,682</u>	<u>\$ 5,830,000</u>	<u>\$ 0</u>	<u>\$ 5,913,682</u>	<u>\$ 160,310</u>	<u>\$ 1,965,000</u>	<u>\$ 0</u>	<u>\$ 2,125,310</u>
Total Liabilities	<u>\$ 770,025</u>	<u>\$ 7,195,053</u>	<u>\$ 243,782</u>	<u>\$ 8,208,860</u>	<u>\$ 937,971</u>	<u>\$ 3,079,924</u>	<u>\$ 311,448</u>	<u>\$ 4,329,343</u>
<u>Net Assets:</u>								
Invested in Capital Assets, Net of Related Debt	\$ 14,783,717	\$ 11,392,619	\$ 14,487,887	\$ 40,664,223	\$ 15,163,537	\$ 11,284,834	\$ 14,633,300	\$ 41,081,671
Restricted for:								
Capital Outlay	314,142	17,798	5,000	336,940	85,165	61,698	84,631	231,494
Debt Service	8,784,341	613,669		613,669		614,542		614,542
Unrestricted	<u>8,784,341</u>	<u>2,529,983</u>	<u>235,315</u>	<u>11,549,639</u>	<u>8,011,168</u>	<u>968,495</u>	<u>321,278</u>	<u>9,300,941</u>
Total Net Assets	<u>\$ 23,882,200</u>	<u>\$ 14,554,069</u>	<u>\$ 14,728,202</u>	<u>\$ 53,164,471</u>	<u>\$ 23,259,870</u>	<u>\$ 12,929,569</u>	<u>\$ 15,039,209</u>	<u>\$ 51,228,648</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, 2011 and 2010

	Sewer	Water	Recreation	Total 2011	Sewer	Water	Recreation	Total 2010
<u>Operating Revenues:</u>								
Service Charges	\$ 1,660,595	\$ 3,932,040	\$	\$ 5,592,635	\$ 1,608,465	\$ 3,832,419	\$	\$ 5,440,884
Recreation Events & Programs			781,267	781,267			883,745	883,745
Total Operating Revenues	<u>\$ 1,660,595</u>	<u>\$ 3,932,040</u>	<u>\$ 781,267</u>	<u>\$ 6,373,902</u>	<u>\$ 1,608,465</u>	<u>\$ 3,832,419</u>	<u>\$ 883,745</u>	<u>\$ 6,324,629</u>
<u>Operating Expenses:</u>								
Direct Operating Expenses	\$ 826,906	\$ 1,698,502	\$ 1,224,389	\$ 3,749,797	\$ 2,136,999	\$ 1,647,977	\$ 1,758,116	\$ 5,543,092
Administration & General	2,768,419	996,200	116,150	3,880,769	2,070,805	282,000	128,000	2,480,805
Depreciation	900,749	681,839	461,201	2,043,789	890,655	651,525	447,025	1,989,205
Total Operating Expenses	<u>\$ 4,496,074</u>	<u>\$ 3,376,541</u>	<u>\$ 1,801,740</u>	<u>\$ 9,674,355</u>	<u>\$ 5,098,459</u>	<u>\$ 2,581,502</u>	<u>\$ 2,333,141</u>	<u>\$ 10,013,102</u>
Operating Income/(Loss)	<u>(\$ 2,835,479)</u>	<u>\$ 555,499</u>	<u>(\$ 1,020,473)</u>	<u>(\$ 3,300,453)</u>	<u>(\$ 3,489,994)</u>	<u>\$ 1,250,917</u>	<u>(\$ 1,449,396)</u>	<u>(\$ 3,688,473)</u>
<u>Non-Operating Revenue (Expense):</u>								
Property Taxes/CFD 94-1	\$ 3,448,170	\$	\$ 513,691	\$ 3,961,861	\$ 3,301,983	\$	\$ 503,612	\$ 3,805,595
Investment Income	58,116	37,368	34,327	129,811	221,428	18,745	965	241,138
Grants		836,151	135,871	972,022	12,117	221,630	236,772	470,519
Marketing Fee							15,000	15,000
Miscellaneous/Gain on Property Sale	9		31,118	31,127	13,204	733	11,467	25,404
Interest Expense	(12,076)	(53,322)		(65,398)		(90,929)		(90,929)
Fiscal Agent Fees	(55,340)	(1,400)	(5,541)	(62,281)	(48,012)	(1,400)	(5,377)	(54,789)
Total Non-Operating Revenue	<u>\$ 3,438,879</u>	<u>\$ 818,797</u>	<u>\$ 709,466</u>	<u>\$ 4,967,142</u>	<u>\$ 3,500,720</u>	<u>\$ 148,779</u>	<u>\$ 762,439</u>	<u>\$ 4,411,938</u>
Income (Loss) Before Contributions and Transfers	\$ 603,400	\$ 1,374,296	(\$ 311,007)	\$ 1,666,689	\$ 10,726	\$ 1,399,696	(\$ 686,957)	\$ 723,465
Capital Contributions - Connection Fees	137,060	132,074		269,134	1,285	1,969		3,254
Transfers In/(Out)	(118,130)	118,130			18,385	(18,385)		
Change in Net Assets	\$ 622,330	\$ 1,624,500	(\$ 311,007)	\$ 1,935,823	\$ 30,396	\$ 1,383,280	(\$ 686,957)	\$ 726,719
Total Net Assets - Beginning	<u>23,259,870</u>	<u>12,929,569</u>	<u>15,039,209</u>	<u>51,228,648</u>	<u>23,229,474</u>	<u>11,546,289</u>	<u>15,726,166</u>	<u>50,501,929</u>
Total Net Assets - Ending	<u>\$ 23,882,200</u>	<u>\$ 14,554,069</u>	<u>\$ 14,728,202</u>	<u>\$ 53,164,471</u>	<u>\$ 23,259,870</u>	<u>\$ 12,929,569</u>	<u>\$ 15,039,209</u>	<u>\$ 51,228,648</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, 2011 and 2010

	Sewer	Water	Recreation	Total 2011	Sewer	Water	Recreation	Total 2010
<u>Cash Flows from Operating Activities:</u>								
Receipts from Customers	\$ 1,957,765	\$ 3,864,822	\$ 986,447	\$ 6,809,034	\$ 1,398,788	\$ 3,871,385	\$ 911,718	\$ 6,181,891
Paid to Suppliers for Goods & Services	(1,747,296)	(1,911,399)	(456,978)	(4,115,673)	(1,598,973)	(1,877,344)	(1,135,234)	(4,611,551)
Paid to Employees for Services	(1,954,459)	(553,174)	(953,861)	(3,461,494)	(2,519,302)		(416,417)	(2,935,719)
Net Cash Provided (Used) by Operating Activities	<u>(\$ 1,743,990)</u>	<u>\$ 1,400,249</u>	<u>(\$ 424,392)</u>	<u>(\$ 768,133)</u>	<u>(\$ 2,719,487)</u>	<u>\$ 1,994,041</u>	<u>(\$ 639,933)</u>	<u>(\$ 1,365,379)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>								
Property Taxes Collected	\$ 3,448,170		\$ 513,691	\$ 3,961,861	\$ 3,301,983		\$ 503,612	\$ 3,805,595
Operating Grants Received					12,117			12,117
Transient Occupancy Tax							15,000	15,000
Transfer From/(To) Other Funds	(118,130)	118,130			18,385	(18,385)		
Other Non-Operating Revenues	<u>26</u>	<u></u>	<u>31,118</u>	<u>31,144</u>	<u>13,204</u>	<u>733</u>	<u>11,467</u>	<u>25,404</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 3,330,066</u>	<u>\$ 118,130</u>	<u>\$ 544,809</u>	<u>\$ 3,993,005</u>	<u>\$ 3,345,689</u>	<u>(\$ 17,652)</u>	<u>\$ 530,079</u>	<u>\$ 3,858,116</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>								
Acquisition of Capital Assets	(\$ 447,777)	(\$ 4,674,624)	(\$ 315,788)	(\$ 5,438,189)	(\$ 577,977)	(\$ 1,428,243)	(\$ 41,693)	(\$ 2,047,913)
Capital Grants Received		836,151	135,871	972,022		165,061	93,447	258,508
Proceeds from Issuance of Installment Note		4,500,000		4,500,000				
Principal Paid on Bonds & Notes	(73,169)	(615,000)		(688,169)	(71,545)	(605,000)		(676,545)
Interest Paid on Bonds & Notes	(12,076)	(53,322)		(65,398)		(90,929)		(90,929)
Fiscal Agent Fees	(55,340)	(1,400)	(5,541)	(62,281)	(48,012)	(1,400)	(5,377)	(54,789)
Contributed Capital - Connection Fees	<u>137,060</u>	<u>132,074</u>	<u></u>	<u>269,134</u>	<u>1,285</u>	<u>1,969</u>	<u></u>	<u>3,254</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(\$ 451,302)</u>	<u>\$ 123,879</u>	<u>(\$ 185,458)</u>	<u>(\$ 512,881)</u>	<u>(\$ 696,249)</u>	<u>(\$ 1,958,542)</u>	<u>\$ 46,377</u>	<u>(\$ 2,608,414)</u>
<u>Cash Flows from Investing Activities:</u>								
Sale of Investments	\$ 439,583			\$ 439,583	\$ 152,071			\$ 152,071
Interest on Investments	<u>58,116</u>	<u>37,368</u>	<u>34,327</u>	<u>129,811</u>	<u>221,428</u>	<u>18,745</u>	<u>965</u>	<u>\$ 241,138</u>
Net Cash Provided by Investing Activities	<u>\$ 497,699</u>	<u>\$ 37,368</u>	<u>\$ 34,327</u>	<u>\$ 569,394</u>	<u>\$ 373,499</u>	<u>\$ 18,745</u>	<u>\$ 965</u>	<u>\$ 393,209</u>
Net Increase (Decrease) in Cash	\$ 1,632,473	\$ 1,679,626	(\$ 30,714)	\$ 3,281,385	\$ 303,452	\$ 36,592	(\$ 62,512)	\$ 277,532

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, 2011 and 2010

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2011</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2010</u>
Balance Forward	\$ 1,632,473	\$ 1,679,626	(\$ 30,714)	\$ 3,281,385	\$ 303,452	\$ 36,592	(\$ 62,512)	\$ 277,532
Cash & Cash Equivalents, Beginning of Year	<u>7,352,103</u>	<u>1,389,384</u>	<u>424,916</u>	<u>9,166,403</u>	<u>7,048,651</u>	<u>1,352,792</u>	<u>487,428</u>	<u>8,888,871</u>
Cash & Cash Equivalents, End 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>
<u>Cash & Cash Equivalents as Presented on the Statement of Net Assets:</u>								
Current Assets: Cash and Cash Equivalents	\$ 8,595,126	\$ 2,674,510	\$ 394,202	\$ 11,663,838	\$ 7,206,096	\$ 1,000,766	\$ 424,916	\$ 8,631,778
Restricted Assets: Cash and Cash Equivalents	<u>389,450</u>	<u>394,500</u>	<u> </u>	<u>783,950</u>	<u>146,007</u>	<u>388,618</u>	<u> </u>	<u>534,625</u>
	<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>
<u>Reconciliation of Operating Income to Net</u>								
<u>Cash Provided/(Used) by Operating Activities:</u>								
Operating Income/(Loss)	(\$ 2,835,479)	\$ 555,499	(\$ 1,020,473)	(\$ 3,300,453)	(\$ 3,489,994)	\$ 1,250,917	(\$ 1,449,396)	(\$ 3,688,473)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	900,749	681,839	461,201	2,043,789	890,655	651,525	447,025	1,989,205
Loss on Abandonment of Bike Trail Project							309,801	309,801
Changes in Certain Assets and Liabilities (Increase)/Decrease in:								
Accounts Receivable	297,173	(67,218)	205,180	435,135	(209,677)	38,966	27,973	(142,738)
Inventory	(8,491)		(2,634)	(11,125)	(15,204)		(325)	(15,529)
Deposits and Prepaid Expenses	(3,150)			(3,150)	(2,008)		12,465	10,457
Increase/(Decrease) in:								
Cash and Cash Equivalents (Book Overdraft)			(193,864)	(193,864)				
Accounts Payable	(112,283)	131,154	139,984	158,855	152,210	32,108	2,943	187,261
Accrued Liabilities	<u>17,491</u>	<u>98,975</u>	<u>(13,786)</u>	<u>102,680</u>	<u>(45,469)</u>	<u>20,525</u>	<u>9,581</u>	<u>(15,363)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(\$ 1,743,990)</u>	<u>\$ 1,400,249</u>	<u>(\$ 424,392)</u>	<u>(\$ 768,133)</u>	<u>(\$ 2,719,487)</u>	<u>\$ 1,994,041</u>	<u>(\$ 639,933)</u>	<u>(\$ 1,365,379)</u>
<u>Noncash Transactions</u>								
<u>Capital and Related Financing Activities</u>								
Acquisition of Capital Assets	\$ 447,777	\$ 4,674,624	\$ 315,788	\$ 5,438,189	\$ 577,977	\$ 1,739,905	\$ 133,623	\$ 2,451,505
Increase in Accounts Payable						(311,662)	(91,930)	(403,592)
Cash Used for Acquisition of Capital Assets	<u>\$ 447,777</u>	<u>\$ 4,674,624</u>	<u>\$ 315,788</u>	<u>\$ 5,438,189</u>	<u>\$ 577,977</u>	<u>\$ 1,428,243</u>	<u>\$ 41,693</u>	<u>\$ 2,047,913</u>

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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 & 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, 2011 and 2010

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, 2011 and 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2011, the District has debt related to capital assets of \$6,627,019.
- *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, 2011 and 2010

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 agent (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, 2011 and 2010, 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 & 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, 2011 and 2010

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, 2011 and 2010 are as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total</u>
June 30, 2011	\$ 2,146,266	\$ 2,447,531	\$ 40,420	\$ 4,634,217
June 30, 2010	\$ 1,343,420	\$ 1,491,917	\$ 40,420	\$ 2,875,757

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, 2011, the recorded liability was \$230,472, and at June 30, 2010 was \$248,004. 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, 2011 and 2010

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, 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.

At June 30, 2010, the carrying amount of the District's deposits was \$4,006,757. The bank's balances were \$4,213,595. Of this amount, \$4,011,515 was covered by federal depository insurance. The remaining \$202,080 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, 2011 and 2010

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 3.19% and 2.64% of LAIF's total portfolio for all investors as of June 30, 2011 and 2010, respectively. Fair value of a pool share was 1.001576470 and 1.001643776 for those same periods. The cost value of a pool share was constant at \$1.00.

	2011		2010	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	\$ 7,843,602	\$ 7,855,967	\$ 4,956,258	\$ 4,964,405

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, 2011 and 2010

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

<u>June 30, 2011</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	\$	\$	\$ 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>
<u>June 30, 2010</u>					
U.S. Government Securities	\$	\$	\$ 696,073		
Other Governmental Entities	<u>602,500</u>				
Total	<u>\$ 602,500</u>	<u>\$ 0</u>	<u>\$ 696,073</u>	<u>\$ 1,298,573</u>	<u>\$ 1,299,048</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, 2011 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
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, 2011 and 2010

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

Investments of the District subject to interest rate risk on June 30, 2010 are summarized as follows:

	Cost	Market Value	Maturity
Certificates of Deposit	\$ 97,000	\$ 97,510	8/2010
Certificates of Deposit	97,000	97,750	9/2010
Certificates of Deposit	185,000	187,073	1/2011
Certificates of Deposit	87,911	90,959	2/2011
Certificates of Deposit	97,000	99,255	3/2011
Certificates of Deposit	97,000	97,209	8/2011
Certificates of Deposit	97,000	101,071	9/2011
Certificates of Deposit	97,000	99,745	1/2012
Certificates of Deposit	97,000	99,790	2/2012
Certificates of Deposit	194,000	199,783	3/2012
Certificates of Deposit	328,000	329,912	5/2012
Certificates of Deposit	345,000	345,738	6/2012
Certificates of Deposit	474,000	484,145	7/2012
Certificates of Deposit	130,000	132,061	8/2012
Certificates of Deposit	233,000	236,579	11/2012
Certificates of Deposit	97,000	100,502	2/2013
Certificates of Deposit	97,000	99,979	3/2013
Certificates of Deposit	200,913	204,723	5/2013
Certificates of Deposit	103,000	104,490	9/2013
U.S. Government Securities	115,000	115,216	11/2013
Certificates of Deposit	291,000	300,840	1/2014
U.S. Government Securities	155,000	155,242	2/2014
Certificates of Deposit	97,000	98,258	1/2015
U.S. Government Securities	100,000	100,250	5/2015
U.S. Government Securities	305,000	305,668	6/2015
Weighted average maturity			11/2012

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2011</u>	<u>2010</u>
Cash Deposits	\$ 4,594,662	\$ 4,006,757
LAIIF	7,843,602	4,956,258
Investments	<u>858,990</u>	<u>1,298,573</u>
	<u>\$ 13,297,254</u>	<u>\$ 10,261,588</u>
 <u>Cash and Investments</u>		
<u>Classified in the Balance Sheet:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 11,663,838	\$ 8,631,778
Restricted	783,950	534,625
Restricted (Book Overdraft)	(<u>9,524</u>)	(<u>203,388</u>)
	<u>\$ 12,438,264</u>	<u>\$ 8,963,015</u>
Investments:		
Unrestricted	\$ 256,490	\$ 696,073
Restricted	<u>602,500</u>	<u>602,500</u>
	<u>\$ 858,990</u>	<u>\$ 1,298,573</u>
	<u>\$ 13,297,254</u>	<u>\$ 10,261,588</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 3 ACCOUNTS RECEIVABLE:

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

	<u>2011</u>	<u>2010</u>
Service Charges	\$ 167,531	\$ 404,409
Taxes, Net of Allowance for Doubtful Accounts of \$267,995 and \$267,995 for 2011 and 2010, Respectively (1)	<u>93,978</u>	<u>100,755</u>
	<u>\$ 261,509</u>	<u>\$ 505,164</u>

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

	<u>2011</u>	<u>2010</u>
Interest	\$ 7,746	\$ 7,876
Grants	<u>221,016</u>	<u>412,365</u>
	<u>\$ 228,761</u>	<u>\$ 420,241</u>

Note:

(1) Includes Property Taxes Receivable under Prop 1A in the amount of \$267,995, for both 2011 and 2010. 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 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, 2011 and 2010

NOTE 4 RESTRICTED ASSETS & LIABILITIES:

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
	<hr/>	<hr/>	<hr/>	<hr/>
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	86,849	500,836	72,393	660,078
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Liabilities	<u>\$ 86,849</u>	<u>\$ 500,836</u>	<u>\$ 81,917</u>	<u>\$ 669,602</u>

Restricted assets at June 30, 2010 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	\$ 146,007	\$ 388,618	\$	\$ 534,625
Investments		602,500		602,500
Accounts Receivable	68,699	64,445	287,097	420,241
Deposits and Prepaid Expenses			5,000	5,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Assets	<u>\$ 214,706</u>	<u>\$ 1,055,563</u>	<u>\$ 292,097</u>	<u>\$ 1,562,366</u>

Current Liabilities (Payable from Restricted Assets):

Cash and Cash Equivalents (Book Overdraft)	\$	\$	\$ 203,388	\$ 203,388
Accounts Payable	129,540	379,323	4,078	512,941
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Liabilities	<u>\$ 129,540</u>	<u>\$ 379,323</u>	<u>\$ 207,466</u>	<u>\$ 716,329</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 5 PENSION PLAN:

Defined Contribution Plan:

The District had a defined contribution money purchase pension plan (the North Tahoe Public Utility District Money Purchase Pension Plan) 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 years ended June 30, 2011 and 2010 was \$467,700 and \$2,937,481, respectively, of which \$384,105 and \$2,403,294 was eligible for pension contributions. Total pension contributions for the fiscal years ended June 30, 2011 and 2010 were \$71,272 and \$326,908, respectively.

During the fiscal years ended June 30, 2011 and 2010, 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, 2011 and 2010

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 rate was 8.475% for the year ended June 30, 2011. The contribution rate was established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year ended June 30, 2011, the District's annual pension costs were \$323,598. Due to the entry into the plan during the current fiscal year, prior year comparative data is not available.

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

The required contribution for fiscal year 2011 was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% depending on age, service and type of employment. Both (a) and (b) include an inflation component of 3.00%, payroll growth of 3.25%, and individual salary growth using a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a 30 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, 2009 was 30 years.

North Tahoe Public Utility District
NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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, 2009, the plan is required to participate in a risk pool. The following information pertains to the Miscellaneous 2% at 55 Risk Pool.

As of June 30, 2009, the most recent actuarial valuation date, the plan was 89.9% funded. The actuarial accrued liability for benefits was \$3.105 billion and the actuarial value of the assets was \$2.758 billion, resulting in an unfunded actuarial liability (UAAL) of \$346 million. The covered payroll (annual payroll of active employees covered under by the plan) was \$743 million, and the ratio of the UAAL to the covered payroll was 46.8%.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 6 CAPITAL ASSETS:

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 & Improvements	\$ 2,041,791	\$	\$	\$ 2,041,791
Sewage System	26,892,155	373,222		27,265,377
Vehicles & Equipment	4,360,774	194,173		4,554,947
Furniture & 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 & Improvements	\$ 1,002,489	\$ 52,500	\$	\$ 1,054,989
Sewage System	14,754,453	612,844		15,367,297
Vehicles & Equipment	3,632,487	207,164		3,839,651
Furniture & 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 & Equipment	170,473	30,015		200,488
Furniture & Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	\$ 20,702,459	\$ 1,277,583	\$	\$ 21,980,042
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 9,142,938	\$ 668,318	\$	\$ 9,811,256
Vehicles & Equipment	126,494	9,805		136,299
Furniture & Office Equipment	18,782	3,716		22,498
Total Accumulated Depreciation	\$ 9,288,214	\$ 681,839	\$	\$ 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, 2011 and 2010

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	259,451	155,596	(128,089)	286,958
	<u>\$ 7,284,451</u>	<u>\$ 155,596</u>	<u>(\$ 128,089)</u>	<u>\$ 7,311,958</u>
Total Capital Assets not being Depreciated				
	<u>\$ 7,284,451</u>	<u>\$ 155,596</u>	<u>(\$ 128,089)</u>	<u>\$ 7,311,958</u>
 <u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 12,716,496	\$ 288,281	\$	\$ 13,004,777
Vehicles & Equipment	700,982			700,982
Furniture & Office Equipment	135,028			135,028
	<u>\$ 13,552,506</u>	<u>\$ 288,281</u>	<u>\$ 0</u>	<u>\$ 13,840,787</u>
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 & Improvements	\$ 3,935,376	\$ 440,222	\$	\$ 4,375,598
Vehicles & Equipment	640,921	20,318		661,239
Land Improvements	1,494,117			1,494,117
Furniture & Office Equipment	133,243	661		133,904
	<u>\$ 6,203,657</u>	<u>\$ 461,201</u>	<u>\$ 0</u>	<u>\$ 6,664,858</u>
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				14,487,887
				<u>\$ 47,291,242</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2010:

Sewer Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 905,912	\$	\$	\$ 905,912
Construction In Progress	188,921	577,959	(249,223)	517,657
Total Capital Assets not being Depreciated	\$ 1,094,833	\$ 577,959	(\$ 249,223)	\$ 1,423,569
<u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 1,984,918	\$ 56,873	\$	\$ 2,041,791
Sewage System	26,876,571	15,584		26,892,155
Vehicles & Equipment	4,321,614	169,384	(130,224)	4,360,774
Furniture & Office Equipment	672,566	7,400		679,966
Total Capital Assets being Depreciated	\$ 33,855,669	\$ 249,241	(\$ 130,224)	\$ 33,974,686
<u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 951,219	\$ 51,270	\$	\$ 1,002,489
Sewage System	14,146,452	608,001		14,754,453
Vehicles & Equipment	3,567,169	195,542	(130,224)	3,632,487
Furniture & Office Equipment	574,274	35,842		610,116
Total Accumulated Depreciation	\$ 19,239,114	\$ 890,655	(\$ 130,224)	\$ 19,999,545
Net Capital Assets	\$ 15,711,388	(\$ 63,455)	(\$ 249,223)	\$ 15,398,710

The above amounts include \$497,192 of cost and \$193,424 of accumulated depreciation for equipment purchased under capital lease obligations.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 6 CAPITAL ASSETS (Continued):

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 780,047	\$	\$	\$ 780,047
Construction In Progress	240,146	1,651,356	(220,960)	1,670,542
Total Capital Assets not being Depreciated	<u>\$ 1,020,193</u>	<u>\$ 1,651,356</u>	<u>(\$ 220,960)</u>	<u>\$ 2,450,589</u>
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 20,232,047	\$ 264,020		\$ 20,496,067
Vehicles & Equipment	124,984	45,489		170,473
Furniture & Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	<u>\$ 20,392,950</u>	<u>\$ 309,509</u>	<u>\$</u>	<u>\$ 20,702,459</u>
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 8,499,956	\$ 642,982	\$	\$ 9,142,938
Vehicles & Equipment	122,083	4,411		126,494
Furniture & Office Equipment	14,650	4,132		18,782
Total Accumulated Depreciation	<u>\$ 8,636,689</u>	<u>\$ 651,525</u>	<u>\$</u>	<u>\$ 9,288,214</u>
Net Capital Assets	<u>\$ 12,776,454</u>	<u>\$ 1,309,340</u>	<u>(\$ 220,960)</u>	<u>\$ 13,864,834</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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>422,658</u>	<u>186,063</u>	<u>(349,270)</u>	<u>259,451</u>
Total Capital Assets not being Depreciated	<u>\$ 7,447,658</u>	<u>\$ 186,063</u>	<u>(\$ 349,270)</u>	<u>\$ 7,284,451</u>
<u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 12,686,912	\$ 29,584	\$	\$ 12,716,496
Vehicles & Equipment	700,982			700,982
Furniture & Office Equipment	<u>135,028</u>			<u>135,028</u>
Total Capital Assets being Depreciated	<u>\$ 13,522,922</u>	<u>\$ 29,584</u>	<u>\$ 0</u>	<u>\$ 13,552,506</u>
<u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 3,511,080	\$ 424,296	\$	\$ 3,935,376
Vehicles & Equipment	620,227	20,694		640,921
Land Improvements	1,494,117			1,494,117
Furniture & Office Equipment	<u>131,208</u>	<u>2,035</u>		<u>133,243</u>
Total Accumulated Depreciation	<u>\$ 5,756,632</u>	<u>\$ 447,025</u>	<u>\$ 0</u>	<u>\$ 6,203,657</u>
Net Capital Assets	<u>\$ 15,213,948</u>	<u>(\$ 231,378)</u>	<u>(\$ 349,270)</u>	<u>\$ 14,633,300</u>
<u>Total of Net Assets:</u>				
Sewer Department				\$ 15,398,710
Water Department				13,864,834
Recreation Department				<u>14,633,300</u>
				<u>\$ 43,896,844</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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</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>
June 30, 2010					
Certificates of Participation	<u>\$ 3,185,000</u>	<u>\$ 0</u>	<u>(\$ 605,000)</u>	<u>\$ 2,580,000</u>	<u>\$ 615,000</u>

Future annual principal payments range from \$635,000 to 675,000 with interest rates of 2.95% to 3.35%, beginning February 1, 2011. Final payment is due February 1, 2014.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 7 LONG-TERM DEBT (Continued):

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, 2011					
Installment Note	\$ 0	\$ 4,500,000	\$ 0	\$ 4,500,000	\$ 0

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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. \$ 92,550

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. 69,469

\$ 162,019

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 \$ 1,965,000

Installment Note 4,500,000

Capital Lease Obligations 162,019

Total Debt \$ 6,627,019

Interest Expense:

Total interest expense was \$206,611 and \$90,929 for 2011 and 2010, respectively. For the year 2011, \$141,213 was capitalized and \$65,398 was expensed.

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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
2012	\$ 78,337	\$ 635,000	\$	\$ 713,337	\$ 247,916	\$ 961,253
2013	83,682	655,000		738,682	224,595	963,277
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
Thereafter			3,654,656	3,654,656	804,702	4,459,358
Total Debt	\$ 162,019	\$ 1,965,000	\$ 4,500,000	\$ 6,627,019	\$ 1,792,290	\$ 8,419,309
Less: Current Portion	(78,337)	(635,000)		(713,337)	(247,916)	(961,253)
Total Long Term Debt, Net of Current Portion	<u>\$ 83,682</u>	<u>\$ 1,330,000</u>	<u>\$ 4,500,000</u>	<u>\$ 5,913,682</u>	<u>\$ 1,544,374</u>	<u>\$ 7,458,056</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES:

Construction Commitments:

The District has entered into design and construction commitments totaling \$7,732,764 and \$4,972,489 for fiscal years ended June 30, 2011 and 2010, respectively. As of June 30, 2011, the amount earned on the contracts was \$6,503,278 with a remaining balance of \$1,229,486. As of June 30, 2010, the amount earned on the contracts was \$519,179, with a remaining balance of \$4,210,652.

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.

Other:

On December 19, 2010, a sewage overflow occurred within the District's service area. As a result, the District could be subject to civil liability and costs associated with cleanup, remediation and preventative measures. The District has submitted its report to the County for review. As of the date the financial statements were available to be issued, no response had been received. At this time, Management is uncertain whether the report will be accepted, and, therefore, is unable to estimate any financial impact to the District at this time.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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 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,	
2012	26,184
2013	26,184
2014	<u>26,183</u>
Total	<u>\$ 78,551</u>

Payments under the lease agreements during the fiscal year ended June 30, 2011 were \$38,787.

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, 2011 and 2010, the District paid the SDRMA \$209,418 and \$214,936, respectively, for workers' compensation insurance coverage.

SUPPLEMENTARY INFORMATION

COMPARISON OF BUDGET TO ACTUAL

June 30, 2011 and 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Favorable (Unfavorable) Variance With Budget
<u>Revenues:</u>				
Service Charges	\$ 5,464,700	\$ 5,874,914	\$ 5,592,635	(\$ 282,279)
Recreation Events & Programs	875,370	823,520	781,267	(42,253)
Property Taxes/CFD 94-1	4,390,000	4,390,000	3,961,861	(428,139)
Investment Income	250,000	250,000	129,811	(120,189)
Grants			972,022	972,022
Miscellaneous/Gain on Property Sale			31,127	31,127
Capital Contributions - Connection Fees		55,000	269,134	214,134
	<u>\$ 10,980,070</u>	<u>\$ 11,393,434</u>	<u>\$ 11,737,857</u>	<u>\$ 344,423</u>
<u>Expenses:</u>				
Direct Operating Expenses	\$ 811,027	\$ 4,484,672	\$ 3,749,797	\$ 734,875
Administration & General	3,534,078	4,952,242	3,880,769	1,071,473
Depreciation	1,975,000	1,975,000	2,043,789	(68,789)
Interest Expense	96,400	96,400	65,398	31,002
Fiscal Agent Fees	72,200	72,200	62,281	9,919
	<u>\$ 6,488,705</u>	<u>\$ 11,580,514</u>	<u>\$ 9,802,034</u>	<u>\$ 1,778,480</u>
Total Favorable Variance	<u>\$ 4,491,365</u>	<u>(\$ 187,080)</u>	<u>\$ 1,935,823</u>	<u>\$ 2,122,903</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2011

Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	2010-2011 Federal Expenditures
Passed through South Tahoe Public Utility District:			
USDA, US Forest Service -			
Cooperative Fire Program :			
Lake Tahoe Community Fire Prevention Partnership and Fire Protection Project	10.664	09-DG-11052012-258	\$ 266,880
Lake Tahoe Community Fire Prevention Partnership and Fire Protection Project	10.664	10-DG-11052012-090	<u>563,904</u>
Total Federal Awards			<u>\$ 830,784</u>

Note to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the North Tahoe Public Utility District and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor’s report expresses an unqualified opinion on the basic financial statements of North Tahoe Public Utility District.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. During the audit, no material weaknesses were identified in the internal control over financial reporting.

No instances of noncompliance material to the financial statements of North Tahoe Public Utility District were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award program are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls Over Compliance in Accordance with OMB Circular A-133.
5. During the audit, no material weaknesses were identified in the internal control over the major program.
6. The auditor’s report on compliance for the major federal award program for North Tahoe Public Utility District expresses an unqualified opinion.
7. There were no audit findings relative to the major federal award program for North Tahoe Public Utility District that are required to be reported in accordance with section 510(a) of Circular A-133.
8. The program tested as a major program was:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.664	Cooperative Fire Program

9. The threshold for distinguishing Types A and B programs was \$300,000.
10. Auditee qualified as a low-risk auditee? ___yes __X_ no

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

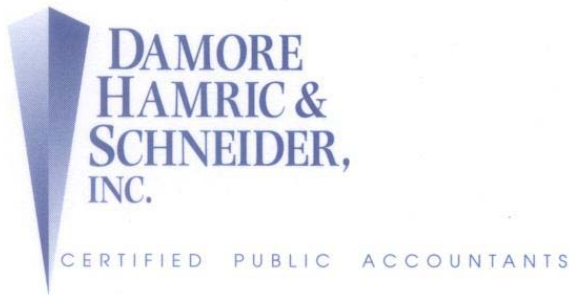
None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2011

D. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the business-type activities of the North Tahoe Public Utility District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered North Tahoe Public Utility District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Tahoe Public Utility District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Tahoe Public Utility District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Tahoe Public Utility District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

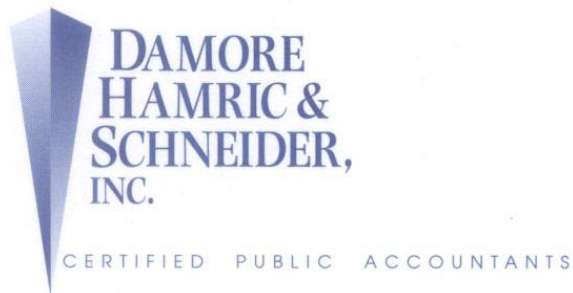
We noted certain matters that we reported to management of the North Tahoe Public Utility District in a separate letter dated November 30, 2011.

This report is intended solely for the information and use of the management, the Board of Directors, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

November 30, 2011



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of North Tahoe Public Utility District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2011. North Tahoe Public Utility District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of North Tahoe Public Utility District's management. Our responsibility is to express an opinion on North Tahoe Public Utility District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Tahoe Public Utility District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of North Tahoe Public Utility District's compliance with those requirements.

In our opinion, North Tahoe Public Utility District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended November 30, 2011.

Internal Control Over Compliance

The management of North Tahoe Public Utility District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered North Tahoe Public Utility District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of the North Tahoe Public Utility District in a separate letter dated November 30, 2011.

This report is intended solely for the information and use of the management, the Board of Directors, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

November 30, 2011