

NORTH TAHOE PUBLIC UTILITY DISTRICT

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

For the Fiscal Years Ended June 30, 2014 and 2013



North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2014 and 2013

BOARD OF DIRECTORS

S. Lane Lewis, President

John Bergmann, Vice President

Phil Thompson, Secretary

Tim Ferrell, Director

Sue Daniels, Director

MANAGEMENT

Paul Schultz, General Manager/Chief Executive Officer

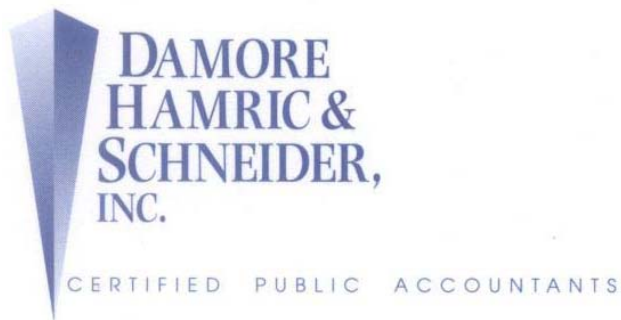
Larry Marple, Chief Financial Officer

North Tahoe Public Utility District

TABLE OF CONTENTS

June 30, 2014 and 2013

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	4 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 12
GENERAL PURPOSE FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION	13 - 14
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	15
STATEMENTS OF CASH FLOWS	16 - 18
NOTES TO FINANCIAL STATEMENTS	19 - 39
 S U P P L E M E N T A R Y I N F O R M A T I O N	
SCHEDULE 1 - COMPARISON OF BUDGET TO ACTUAL	41



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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of North Tahoe Public Utility District as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Tahoe Public Utility District's basic financial statements. The supplementary information contained in schedule 1 on page 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relating to the financial statements as a whole.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

February 9, 2015

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

As management of the North Tahoe Public Utility District (NTPUD), we offer readers of NTPUD's financial statements this narrative overview and analysis of NTPUD's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT

The District's Current Assets increased by \$168,364 from \$13,151,934 to \$13,320,298. Restricted Assets decreased from \$889,012 to \$544,863. Net Capital Assets grew from \$50,096,205 to \$50,434,687 an increase of \$338,482. The District's Total Assets decreased by \$382,166 to \$64,299,848. Current Liabilities (Payable from Current Assets) decreased by \$589,899 to \$1,031,835 due to the payoff of Certificates of Participation. Current Liabilities (Payable from Restricted Assets) decreased by \$406,306 from \$524,667 to \$118,361. Noncurrent Liabilities decreased by \$281,638 from \$4,229,166 to \$3,947,528. Net assets Invested in Capital Assets, Net of Related Debt increased by \$1,284,316 as additions of new Capital Assets exceeded depreciation. Restricted for Capital Outlay increased by \$137,130 while Restricted for Debt Service decreased by \$619,836. Unrestricted Net Assets which have been designated for Board Reserves had no change staying at \$5,144,675. Unrestricted Net Position amounts that are undesignated rose by \$94,067 or 1% from \$7,331,359 to \$7,425,426. Total Net Position increased by \$895,677 from \$58,306,447 to \$59,202,124.

FINANCIAL HIGHLIGHTS - SEWER FUND

Current Unrestricted Assets decreased by \$247,052 from \$9,596,562 to \$9,349,510. Restricted Assets decreased by \$233,151 from \$460,951 to \$227,800. Net Capital Assets increased by \$966,148 from \$15,763,279 to \$16,729,427 as the additions to Capital Assets increased more than Accumulated Depreciation. The Dollar Pump Station Rehabilitation project accounted for \$2,311,789 of the increase in the Construction in Process portion of fixed assets. The increase in the net Capital Asset amount was reduced by the \$900,886 increase in Accumulated Depreciation. Current Liabilities (Payable from Current Assets) increased by \$118,363 from \$382,456 to \$500,819. Current Liabilities (Payable from Restricted Assets) decreased by \$230,586. Unrestricted Net Assets decreased by \$365,415 from \$9,214,106 to \$8,848,691. Total Net Assets increased by \$598,168, from \$25,193,645 to \$25,791,813. Operating Revenues decreased by \$13,002 from \$1,535,658 to \$1,522,656. Total Operating Expenses were \$76,330 higher than 2013. Property Tax revenue of \$3,685,594 is less than the prior year amount by \$498,726 because of two reasons; 1) A one-time repayment of the Proposition 1A State loan of \$267,995 was received in 2013. 2) In 2013 the District's Redevelopment Agency Residual Distributions were \$494,141 higher than in 2014. In 2014, investment income decreased by \$5,938. The total Change in Net Position for 2014 was \$25,791,813, a \$598,168 increase over 2013.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

FINANCIAL HIGHLIGHTS - WATER FUND

Current Assets increased by \$650,848 from \$2,959,070 to \$3,609,918. Restricted Assets decreased by \$490,200, from \$761,210 to \$271,010. Capital Assets net of Accumulated Depreciation decreased by \$175,105 as Accumulated Depreciation increased by \$838,651 exceeding the \$663,546 spent on Capital Assets. The Minnow Water Main Replacement Project at a cost of \$346,207 was most significant project completed during the year. Current Liabilities (Payable from Current Assets) decreased by \$691,032 from \$1,123,028 to \$431,996. Current Liabilities (Payable from Restricted Assets) decreased by \$14,257 from \$118,513 to \$104,256. Noncurrent Liabilities decreased by \$281,638 from \$4,229,166 to \$3,947,528 as a result of annual principal payments on the debt. Unrestricted Net Assets increased by \$677,684 from \$2,781,876 to \$3,459,560. Total Net Position increased by \$972,470 bringing the new amount to \$18,069,528. Revenues were higher by \$82,736 or 2%. Total Operating Expenses increased by \$99,488 from 2013. Grant revenue was \$83,841 higher than the prior year with \$135,463 compared to the \$51,622 earned in 2013. Interest expense was \$14,082 lower in 2014 as the principal on District debt declines.

FINANCIAL HIGHLIGHTS - RECREATION FUND

Current Assets decreased by \$235,432 from \$596,302 to \$360,870. Restricted Assets decreased by \$165,661 to \$46,053. Capital Assets net of Accumulated Depreciation decreased by \$452,561 to \$15,032,880. Current Liabilities (Payable from Current Assets) decreased by \$17,230 from \$116,250 to \$99,020. Current Liabilities (Payable from Restricted Assets) decreased by \$161,463 from \$161,463 to \$0. Total Net Assets decreased by \$674,961 from \$16,015,744 to \$15,340,783. Unrestricted Net Assets decreased by \$218,202 to close at \$261,850. Recreation Events and Program Revenues were \$47,780 lower than they were in 2013, at \$996,899. Total Operating Expenses increased by \$269,725. The Recreation assessment called Community Facilities District 94 - (CFD 94-1) brought in \$555,692 in 2014, \$1,227, or .2% more than 2013. Grant revenue was lower than 2013 by \$1,769,041 because the grant funded projects were less having only the TVRA Lakeside Drainage Pond in 2014 as opposed to the TVRA Parking Area project that was built in 2013.

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, 2014

REQUIRED FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE DISTRICT

The most common financial question posed to the District is "How did we do financially during 2013/2014?" The Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's Net Position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's Net Position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

NET POSITION

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

Table A-1
Condensed Statement of Net Position

	FYE 6/30/2014	FYE 6/30/2013	Change in Dollars	Percent Change
Current Assets	\$ 13,320,298	\$ 13,151,934	\$ 168,364	1%
Restricted Assets	544,863	1,433,875	(889,012)	-62%
Net Capital Assets	<u>50,434,687</u>	<u>50,096,205</u>	<u>338,482</u>	1%
Total Assets	\$ 64,299,848	\$ 64,682,014	(\$ 382,166)	-1%
Current Liabilities Unrestricted	\$ 1,031,835	\$ 1,621,734	(\$ 589,899)	-36%
Current Liabilities Restricted	118,361	524,667	(406,306)	-77%
Long Term Liabilities	<u>3,947,528</u>	<u>4,229,166</u>	<u>(281,638)</u>	-7%
Total Liabilities	\$ 5,097,724	\$ 6,375,567	(\$ 1,277,843)	-20%
Net Investment in Capital Assets	\$ 46,205,521	\$ 44,921,205	\$ 1,284,316	3%
Restricted for Capital Outlay	426,502	289,372	137,130	47%
Restricted for Debt Service		619,836	(619,836)	-100%
Unrestricted (Designated for Board Reserves)	5,144,675	5,144,675		0%
Unrestricted (Undesignated)	<u>7,425,426</u>	<u>7,331,359</u>	<u>94,067</u>	1%
Total Net Position	\$ 59,202,124	\$ 58,306,447	\$ 895,677	2%

As can be seen from the table above, Net Position grew by \$895,677 from \$58,306,447 to \$59,202,124. The makeup of Net Position changed as amounts invested in Capital Assets increased by \$1,284,316 or 3%, while amounts Unrestricted (Designated for Board Reserves) stayed the same and Unrestricted (Undesignated) grew by 1% or \$94,067 from \$7,331,359 to \$7,425,426.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	FYE 6/30/14	FYE 6/30/13	Change in Dollars	Percent Change
Operating Revenues	\$ 6,536,950	\$ 6,514,996	\$ 21,954	0%
Operating Expenses	<u>10,059,634</u>	<u>9,614,091</u>	<u>445,543</u>	5%
Net Operating Loss	(\$ 3,522,684)	(\$ 3,099,095)	(\$ 423,589)	14%
Property Tax Revenues	\$ 4,241,286	\$ 4,738,785	(\$ 497,499)	- 10%
Other Non-Operating Revenues and Expenses	<u>70,867</u>	<u>1,820,205</u>	<u>(1,749,338)</u>	- 96%
Non-Operating Revenues and Expenses	<u>\$ 4,312,153</u>	<u>\$ 6,558,990</u>	<u>(\$ 2,246,837)</u>	- 34%
Income Before Capital Contributions	\$ 789,469	\$ 3,459,895	(\$ 2,670,426)	- 77%
Capital Contributions	<u>106,208</u>	<u>146,986</u>	<u>(40,778)</u>	- 28%
Change in Net Position	\$ 895,677	\$ 3,606,881	(\$ 2,711,204)	- 75%
Beginning Net Position	<u>58,306,447</u>	<u>54,699,566</u>	<u>3,606,881</u>	7%
Ending Net Position	<u>\$ 59,202,124</u>	<u>\$ 58,306,447</u>	<u>\$ 895,677</u>	2%

While the Statement of Net Position shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, Revenues exceeded Expenses in both years, increasing Net Position. The increase in Net Position of \$895,677 in FY 2014 was \$2,711,204 less than the increase in FY 2013 due to an increase in Operating Expenses of \$445,543 and a decrease in Operating Revenue of \$21,954, a decrease in Property Tax Revenues of \$497,499 and a decrease in Other Non-Operating Revenue and Expense of \$1,749,338. Property Tax (including CFD 94-1) Revenues decreased by 10% or \$497,499 while Other Non-Operating Revenue and Expenses decreased due to a decrease in grant revenue of \$1,685,200 partially offset by a decrease in Interest Expense of \$15,660. Capital Contributions declined from \$146,986 in 2013 to \$106,208 in 2014.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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 2014 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Operating Revenues	\$ 6,385,142	\$ 6,536,950	\$ 151,808
Operating Expenses	<u>10,141,076</u>	<u>10,059,634</u>	<u>81,442</u>
Net Operating Loss	(\$ 3,755,934)	(\$ 3,522,684)	\$ 233,250
Property Tax Revenues	\$ 4,080,000	\$ 4,241,286	\$ 161,286
Other Non-Operating Revenues and Expenses	<u>35,028</u>	<u>70,867</u>	<u>35,839</u>
Non-Operating Revenues and Expenses	\$ 4,115,028	\$ 4,312,153	(\$ 197,125)
Income Before Capital Contributions	\$ 359,094	\$ 789,469	\$ 430,375
Capital Contributions	<u>\$ 36,270</u>	<u>\$ 106,208</u>	<u>\$ 69,938</u>
Change in Net Position	<u>\$ 395,364</u>	<u>\$ 895,677</u>	<u>\$ 500,313</u>

Operating Revenues of \$6,536,950 exceeded the Budget of \$6,385,142 creating a favorable variance of \$151,808. Included in Operating Revenue are Service Charges which were \$152,728 more than expected and Recreation Events and Programs which under its budget of \$998,569 by \$920. Property Taxes/CFD 94-1 revenues surpassed the budgeted amount by \$161,286. Capital Contributions of \$106,208 were \$69,938 more than budgeted. Operating Expenses were under budget by \$81,442 coming in at \$10,059,634 compared with a budgeted amount of \$10,141,076.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

CAPITAL ASSETS

Table A-4
Condensed Statement of Fixed Assets

	FYE 6/30/2014	FYE 6/30/2013	Change in Dollars	Percent Change
Fixed Assets	\$ 90,991,986	\$ 87,423,199	\$ 3,568,787	4%
Construction in Process	<u>3,574,940</u>	<u>4,505,879</u>	(930,939)	-21%
	<u>\$ 94,566,926</u>	<u>\$ 91,929,078</u>	<u>\$ 2,637,848</u>	3%
Accumulated Depreciation	(44,132,239)	(41,832,873)	(2,299,366)	5%
Net Capital Assets	<u>\$ 50,434,687</u>	<u>\$ 50,096,205</u>	<u>\$ 338,482</u>	1%

At the end of fiscal year 2014, the District had \$50,434,687 invested in capital assets as shown in Table A-4. Fixed Assets grew by \$338,482 or less than 1%. This increase included \$2,311,789 for the Dollar Pump Station Rehabilitation project, \$346,207 for the Minnow Water Main Replacement Project and \$107,269 for the TVRA Lakeside Drainage Pond Project. Accumulated Depreciation grew by \$2,299,366.

DISTRICT CONTACT INFORMATION

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

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

<u>Assets:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2014</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2013</u>
Current Assets:								
Cash and Cash Equivalents	\$ 8,675,852	\$ 3,502,713	\$ 325,311	\$ 12,503,876	\$ 9,046,087	\$ 2,901,815	\$ 454,504	\$ 12,402,406
Investments	137,193			137,193	21,469			21,469
Accounts Receivable	232,029	107,205	32,998	372,232	243,500	57,255	137,389	438,144
Inventory	298,798		2,561	301,359	279,868		4,409	284,277
Deposits and Prepaid Expenses	5,638			5,638	5,638			5,638
Total Current Assets	<u>\$ 9,349,510</u>	<u>\$ 3,609,918</u>	<u>\$ 360,870</u>	<u>\$ 13,320,298</u>	<u>\$ 9,596,562</u>	<u>\$ 2,959,070</u>	<u>\$ 596,302</u>	<u>\$ 13,151,934</u>
Restricted Assets:								
Cash and Cash Equivalents	\$ 227,800	\$ 150,048	\$ 33,020	\$ 410,868	\$ 460,951	\$ 76,246	\$	\$ 537,197
Investments						602,500		602,500
Accounts Receivable		120,962	(3,206)	117,756		82,464	195,475	277,939
Deposits and Prepaid Expenses			16,239	16,239			16,239	16,239
Total Restricted Assets	<u>\$ 227,800</u>	<u>\$ 271,010</u>	<u>\$ 46,053</u>	<u>\$ 544,863</u>	<u>\$ 460,951</u>	<u>\$ 761,210</u>	<u>\$ 211,714</u>	<u>\$ 1,433,875</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,729,427</u>	<u>\$ 18,672,380</u>	<u>\$ 15,032,880</u>	<u>\$ 50,434,687</u>	<u>\$ 15,763,279</u>	<u>\$ 18,847,485</u>	<u>\$ 15,485,441</u>	<u>\$ 50,096,205</u>
Total Assets	<u>\$ 26,306,737</u>	<u>\$ 22,553,308</u>	<u>\$ 15,439,803</u>	<u>\$ 64,299,848</u>	<u>\$ 25,820,792</u>	<u>\$ 22,567,765</u>	<u>\$ 16,293,457</u>	<u>\$ 64,682,014</u>

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

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

<u>Liabilities:</u>	Sewer	Water	Recreation	Total 2014	Sewer	Water	Recreation	Total 2013
Current Liabilities (Payable from Current Assets):								
Accounts Payable	\$ 57,873	\$ 21,308	\$ 24,636	\$ 103,817	\$ 74,200	\$ 21,031	\$ 28,488	\$ 123,719
Accrued Liabilities	442,946	129,050	74,384	646,380	308,256	156,163	87,762	552,181
Current Portion of Long-Term Debt		281,638		281,638		945,834		945,834
Total Current Liabilities (Payable from Current Assets)	<u>\$ 500,819</u>	<u>\$ 431,996</u>	<u>\$ 99,020</u>	<u>\$ 1,031,835</u>	<u>\$ 382,456</u>	<u>\$ 1,123,028</u>	<u>\$ 116,250</u>	<u>\$ 1,621,734</u>
Current Liabilities (Payable from Restricted Assets):								
Cash and Cash Equivalents (Book Overdraft)	\$			\$	\$		\$ 161,463	\$ 161,463
Accounts Payable	14,105	104,256		118,361	244,691	118,513		363,204
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 14,105</u>	<u>\$ 104,256</u>	<u>\$ 0</u>	<u>\$ 118,361</u>	<u>\$ 244,691</u>	<u>\$ 118,513</u>	<u>\$ 161,463</u>	<u>\$ 524,667</u>
Total Current Liabilities	<u>\$ 514,924</u>	<u>\$ 536,252</u>	<u>\$ 99,020</u>	<u>\$ 1,150,196</u>	<u>\$ 627,147</u>	<u>\$ 1,241,541</u>	<u>\$ 277,713</u>	<u>\$ 2,146,401</u>
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	\$ 0	\$ 3,947,528	\$ 0	\$ 3,947,528	\$ 0	\$ 4,229,166	\$ 0	\$ 4,229,166
Total Liabilities	<u>\$ 514,924</u>	<u>\$ 4,483,780</u>	<u>\$ 99,020</u>	<u>\$ 5,097,724</u>	<u>\$ 627,147</u>	<u>\$ 5,470,707</u>	<u>\$ 277,713</u>	<u>\$ 6,375,567</u>
<u>Net Position:</u>								
Net Investment in Capital Assets	\$ 16,729,427	\$ 14,443,214	\$ 15,032,880	\$ 46,205,521	\$ 15,763,279	\$ 13,672,485	\$ 15,485,441	\$ 44,921,205
Restricted for:								
Capital Outlay	213,695	166,754	46,053	426,502	216,260	22,861	50,251	289,372
Debt Service						619,836		619,836
Unrestricted	<u>8,848,691</u>	<u>3,459,560</u>	<u>261,850</u>	<u>12,570,101</u>	<u>9,214,106</u>	<u>2,781,876</u>	<u>480,052</u>	<u>12,476,034</u>
Total Net Position	<u>\$ 25,791,813</u>	<u>\$ 18,069,528</u>	<u>\$ 15,340,783</u>	<u>\$ 59,202,124</u>	<u>\$ 25,193,645</u>	<u>\$ 17,097,058</u>	<u>\$ 16,015,744</u>	<u>\$ 58,306,447</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 POSITION

For the Fiscal Years Ended June 30, 2014 and 2013

	Sewer	Water	Recreation	Total 2014	Sewer	Water	Recreation	Total 2013
<u>Operating Revenues:</u>								
Service Charges	\$ 1,522,656	\$ 4,016,645	\$	\$ 5,539,301	\$ 1,535,658	\$ 3,934,659	\$	\$ 5,470,317
Recreation Events and Programs		750	996,899	997,649			1,044,679	1,044,679
Total Operating Revenues	\$ 1,522,656	\$ 4,017,395	\$ 996,899	\$ 6,536,950	\$ 1,535,658	\$ 3,934,659	\$ 1,044,679	\$ 6,514,996
<u>Operating Expenses:</u>								
Direct Operating Expenses	\$ 1,922,990	\$ 1,637,960	\$ 1,617,424	\$ 5,178,374	\$ 1,932,982	\$ 1,652,940	\$ 1,383,415	\$ 4,969,337
Administration and General	1,887,145	582,750	111,998	2,581,893	1,778,759	542,925	115,874	2,437,558
Depreciation	900,886	838,651	559,830	2,299,367	922,950	764,008	520,238	2,207,196
Total Operating Expenses	\$ 4,711,021	\$ 3,059,361	\$ 2,289,252	\$ 10,059,634	\$ 4,634,691	\$ 2,959,873	\$ 2,019,527	\$ 9,614,091
Operating Income/(Loss)	(\$ 3,188,365)	\$ 958,034	(\$ 1,292,353)	(\$ 3,522,684)	(\$ 3,099,033)	\$ 974,786	(\$ 974,848)	(\$ 3,099,095)
<u>Non-Operating Revenue (Expense):</u>								
Property Taxes/CFD 94-1	\$ 3,685,594	\$	\$ 555,692	\$ 4,241,286	\$ 4,184,320	\$	\$ 554,465	\$ 4,738,785
Investment Income	44,192	9,422	695	54,309	50,130	22,298	21,071	93,499
Grants		135,463	68,705	204,168		51,622	1,837,746	1,889,368
Miscellaneous/Gain on Property Sale	73,609		(2,436)	71,173	110,053	13,825	(7,620)	116,258
Interest Expense		(180,488)		(180,488)	(1,578)	(194,570)		(196,148)
Fiscal Agent Fees	(71,631)	(1,400)	(5,264)	(78,295)	(72,233)	(1,400)	(9,139)	(82,772)
Total Non-Operating Revenue	\$ 3,731,764	(\$ 37,003)	\$ 617,392	\$ 4,312,153	\$ 4,270,692	(\$ 108,225)	\$ 2,396,523	\$ 6,558,990
Income (Loss) Before Contributions and Transfers	\$ 543,399	\$ 921,031	(\$ 674,961)	\$ 789,469	\$ 1,171,659	\$ 866,561	\$ 1,421,675	\$ 3,459,895
Capital Contributions - Connection Fees (Refunds)	53,789	51,439		105,228	20,025	57,386		77,411
Capital Contributions - Infrastructure	980			980	5,400	64,175		69,575
Transfers In/(Out)					19,800	(19,800)		
Change in Net Position	\$ 598,168	\$ 972,470	(\$ 674,961)	\$ 895,677	\$ 1,216,884	\$ 968,322	\$ 1,421,675	\$ 3,606,881
Total Net Position - Beginning	25,193,645	17,097,058	16,015,744	58,306,447	23,976,761	16,128,736	14,594,069	54,699,566
Total Net Position - Ending	\$ 25,791,813	\$ 18,069,528	\$ 15,340,783	\$ 59,202,124	\$ 25,193,645	\$ 17,097,058	\$ 16,015,744	\$ 58,306,447

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, 2014 and 2013

<u>Cash Flows from Operating Activities:</u>	Sewer	Water	Recreation	Total 2014	Sewer	Water	Recreation	Total 2013
Receipts from Customers	\$ 1,534,127	\$ 4,105,093	\$ 693,827	\$ 6,333,047	\$ 1,603,221	\$ 4,013,947	\$ 797,079	\$ 6,414,247
Paid to Suppliers for Goods and Services	(1,873,157)	(1,889,296)	(760,132)	(4,522,585)	(1,967,483)	(1,612,181)	(784,565)	(4,364,229)
Paid to Employees for Services	(1,835,180)	(629,830)	(539,991)	(3,005,001)	(1,889,069)	(682,557)	(552,535)	(3,124,161)
Net Cash Provided (Used) by Operating Activities	(\$ 2,174,210)	\$ 1,585,967	(\$ 606,296)	(\$ 1,194,539)	(\$ 2,253,331)	\$ 1,719,209	(\$ 540,021)	(\$ 1,074,143)
 <u>Cash Flows from Noncapital Financing Activities:</u>								
Property Taxes Collected	\$ 3,685,594	\$	\$ 555,692	\$ 4,241,286	\$ 4,184,320	\$	\$ 554,465	\$ 4,738,785
Transfer From/(To) Other Funds					19,800	(19,800)		
Other Non-Operating Revenues/(Expenses)	73,609		(2,436)	71,173	110,053	13,825	(7,620)	116,258
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 3,759,203	\$ 0	\$ 553,256	\$ 4,312,459	\$ 4,314,173	(\$ 5,975)	\$ 546,845	\$ 4,855,043
 <u>Cash Flows from Capital and Related Financing Activities:</u>								
Acquisition of Capital Assets	(\$ 2,909,005)	(\$ 582,369)	(\$ 107,269)	(\$ 3,598,643)	(\$ 1,238,494)	(\$ 354,554)	(\$ 1,837,163)	(\$ 3,430,211)
Proceeds from Sale of Capital Assets	810,000			810,000				
Capital Grants Received		135,463	68,705	204,168		51,622	1,837,746	1,889,368
Principal Paid on Bonds and Notes		(945,834)		(945,834)	(83,667)	(655,000)		(738,667)
Interest Paid on Bonds and Notes		(180,488)		(180,488)	(1,578)	(194,570)		(196,148)
Fiscal Agent Fees	(71,631)	(1,400)	(5,264)	(78,295)	(72,233)	(1,400)	(9,139)	(82,772)
Contributed Capital - Connection Fees	53,789	51,439		105,228	20,025	57,386		77,411
Net Cash Provided (Used) by Capital and Related Financing Activities	(\$ 2,116,847)	(\$ 1,523,189)	(\$ 43,828)	(\$ 3,683,864)	(\$ 1,375,947)	(\$ 1,096,516)	(\$ 8,556)	(\$ 2,481,019)
 <u>Cash Flows from Investing Activities:</u>								
Sale of Investments	(\$ 115,724)	\$ 602,500	\$	\$ 486,776	\$ 211,010	\$	\$	\$ 211,010
Interest on Investments	44,192	9,422	695	54,309	50,130	22,298	21,071	93,499
Net Cash Provided by Investing Activities	(\$ 71,532)	\$ 611,922	\$ 695	\$ 541,085	\$ 261,140	\$ 22,298	\$ 21,071	\$ 304,509
Net Increase (Decrease) in Cash	(\$ 603,386)	\$ 674,700	(\$ 96,173)	(\$ 24,859)	\$ 946,035	\$ 639,016	\$ 19,339	\$ 1,604,390

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, 2014 and 2013

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2014</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2013</u>
Balance Forward	(\$ 603,386)	\$ 674,700	(\$ 96,173)	(\$ 24,859)	\$ 946,035	\$ 639,016	\$ 19,339	\$ 1,604,390
Cash and Cash Equivalents, Beginning of Year	<u>9,507,038</u>	<u>2,978,061</u>	<u>454,504</u>	<u>12,939,603</u>	<u>8,561,003</u>	<u>2,339,045</u>	<u>435,165</u>	<u>11,335,213</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,903,652</u>	<u>\$ 3,652,761</u>	<u>\$ 358,331</u>	<u>\$ 12,914,744</u>	<u>\$ 9,507,038</u>	<u>\$ 2,978,061</u>	<u>\$ 454,504</u>	<u>\$ 12,939,603</u>
<u>Cash and Cash Equivalents as Presented on the Statement of Net Assets:</u>								
Current Assets: Cash and Cash Equivalents	\$ 8,675,852	\$ 3,502,713	\$ 325,311	\$ 12,503,876	\$ 9,046,087	\$ 2,901,815	\$ 454,504	\$ 12,402,406
Restricted Assets: Cash and Cash Equivalents	<u>227,800</u>	<u>150,048</u>	<u>33,020</u>	<u>410,868</u>	<u>460,951</u>	<u>76,246</u>		<u>537,197</u>
	<u>\$ 8,903,652</u>	<u>\$ 3,652,761</u>	<u>\$ 358,331</u>	<u>\$ 12,914,744</u>	<u>\$ 9,507,038</u>	<u>\$ 2,978,061</u>	<u>\$ 454,504</u>	<u>\$ 12,939,603</u>
<u>Reconciliation of Operating Income to Net</u>								
<u>Cash Provided/(Used) by Operating Activities:</u>								
Operating Income/(Loss)	(\$ 3,188,365)	\$ 958,034	(\$ 1,292,353)	(\$ 3,522,684)	(\$ 3,099,033)	\$ 974,786	(\$ 974,848)	(\$ 3,099,095)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	900,886	838,651	559,830	2,299,367	922,950	764,008	520,238	2,207,196
(Gain)/Loss on Disposal of Assets	2,365			2,365				
Changes in Certain Assets and Liabilities (Increase)/Decrease in:								
Accounts Receivable	11,471	(88,448)	303,072	226,095	67,563	79,288	(247,600)	(100,749)
Inventory	(18,930)		1,848	(17,082)	(11,271)		(826)	(12,097)
Deposits and Prepaid Expenses							1,376	1,376
Increase/(Decrease) in:								
Cash and Cash Equivalents (Book Overdraft)			(161,463)	(161,463)			158,832	158,832
Accounts Payable	(16,327)	(95,157)	(3,852)	(115,336)	(93,964)	(89,429)	(11,574)	(194,967)
Accrued Liabilities	<u>134,690</u>	<u>(27,113)</u>	<u>(13,378)</u>	<u>94,199</u>	<u>(39,576)</u>	<u>(9,444)</u>	<u>14,381</u>	<u>(34,639)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(\$ 2,174,210)</u>	<u>\$ 1,585,967</u>	<u>(\$ 606,296)</u>	<u>(\$ 1,194,539)</u>	<u>(\$ 2,253,331)</u>	<u>\$ 1,719,209</u>	<u>(\$ 540,021)</u>	<u>(\$ 1,074,143)</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, 2014 and 2013

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2014</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2013</u>
<u>Noncash Transactions</u>								
<u>Capital and Related Financing Activities</u>								
Acquisition of Capital Assets	\$ 2,678,418	\$ 663,546	\$ 107,269	\$ 3,449,233	\$ 1,208,358	\$ 357,883	\$ 1,837,163	\$ 3,403,404
(Increase)/Decrease in Accounts Payable	<u>230,587</u>	<u>(81,177)</u>		<u>149,410</u>	<u>30,136</u>	<u>(3,329)</u>		<u>26,807</u>
Cash Used for Acquisition of Capital Assets	<u>\$ 2,909,005</u>	<u>\$ 582,369</u>	<u>\$ 107,269</u>	<u>\$ 3,598,643</u>	<u>\$ 1,238,494</u>	<u>\$ 354,554</u>	<u>\$ 1,837,163</u>	<u>\$ 3,430,211</u>
<u>Capital Contributed by Developers</u>								
Contributions of Capital to the District	\$ 54,769	\$ 51,439	\$	\$ 106,208	\$ 25,425	\$ 121,561	\$	\$ 146,986
Less - Contribution of Land and Improvements	<u>(980)</u>			<u>(980)</u>	<u>(5,400)</u>	<u>(64,175)</u>		<u>(69,575)</u>
Cash Provided by Contributions	<u>\$ 53,789</u>	<u>\$ 51,439</u>	<u>\$ 0</u>	<u>\$ 105,228</u>	<u>\$ 20,025</u>	<u>\$ 57,386</u>	<u>\$ 0</u>	<u>\$ 77,411</u>

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" established standards for external financial reporting for all state and local governmental entities. GASB 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2014 and 2013, the District has debt related to capital assets of \$4,229,166 and \$5,175,000, respectively.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

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

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- D. Cash - Cash for all enterprise funds is pooled, and investment earnings from savings accounts, certificates of deposit and other investments are allocated to the various funds based on their individual investment in the selected investment vehicle. For the purposes of the statement of cash flows, the District considers all cash, certificates of deposit and savings, and cash with fiscal agents (including restricted assets) with a maturity of one year or less when purchased to be cash equivalents. (See Note 2 for additional disclosures of District deposits and investments).
- E. Accounts Receivable - Service charges receivable, a component of accounts receivable, are sent to the county annually to be placed on the tax rolls for collection. Therefore, no allowance for uncollectible fees is provided.
- F. Investments - Investments in securities with readily determinable fair values, external investment pools, open-end mutual funds, and debt securities are valued at their fair values in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net assets. For the fiscal years ended June 30, 2014 and 2013, fair value of the District's investments approximated cost.
- G. Inventory - Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The cost is recorded as an expense as inventory items are consumed.
- H. Capital Assets - Capital assets are stated at cost, or the appraised value at the time received in the case of gifts. Maintenance and repairs are charged to expense as incurred. Replacements which improve or extend the lives of property are capitalized. Costs of retired assets are removed from the asset accounts in the year of sale or retirement.
- I. Depreciation - Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:
- | | |
|-------------------------|---------------|
| Utility Plant | 30 - 50 Years |
| Machinery and Equipment | 5 - 15 Years |
- J. Revenue Recognition - Property Taxes - Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on November 1 and February 1 and are due and payable at that time.

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

K. Operating/Non-Operating Revenue and Expenses - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

L. Designations of Net Position - Designations of Net Position Restricted for Board Reserves are used to show the amounts within unrestricted net position which the Board has designated for specific purposes, but are not legally restricted. The designated balances at June 30, 2014 and 2013 are as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total</u>
June 30, 2014	\$ 945,118	\$ 4,305,483	\$ 40,746	\$ 5,291,347
June 30, 2013	\$ 1,427,449	\$ 3,676,306	\$ 40,920	\$ 5,144,675

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, 2014, the recorded liability was \$261,153 and at June 30, 2013 was \$270,578. 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, 2014 and 2013

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.
- R. Current Year GASB Implementation - For the year ended June 30, 2013, the District implemented Government Accounting Standards Board (GASB) Statement 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as of June 30, 2013, GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*. The primary objective of GASB 62 is to incorporate applicable guidance from FASB pronouncements into the GASB statements. GASB 62 addresses a number of accounting and financial reporting areas, but the most significant areas that may affect the District relate to capitalization of interest costs. The guidance for the capitalization of interest costs reflects a change from previously issued guidance for governments with enterprise funds. The objective of GASB 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the District's net position. The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The new standards do not have a material impact on the District's financial statements at this time.
- S. Deferred Outflow/Deferred Inflow of Resources - In addition to assets, the statements will sometimes report a separate section from deferred outflows of resources. This separate financial element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The District currently does not have any deferred outflows of resources.

In addition to liabilities, the statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resource

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued):

- S. Deferred Outflow/Deferred Inflow of Resources (Continued): - (revenue) until that time. The District currently does not have any deferred inflows of resources.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS:

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

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

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

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

At June 30, 2013, the carrying amount of the District's deposits was \$5,061,139. The bank's balances were \$5,052,905. Of this amount, \$5,052,905 was covered by federal depository insurance or collateralized with qualified securities pledged by the depository's trust department or an independent agent of the depository.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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, and investment in U.S. Government securities, Placer County Investment Fund, and the LAIF.

Investment in State Investment Pool - The District's LAIF investment is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The District is a voluntary participant in the investment pool.

Structured notes and asset-backed securities comprised 1.86% and 1.96% of LAIF's total portfolio for all investors as of June 30, 2014 and 2013, respectively. Fair value of a pool share was 1.00029875 and 1.00029875 for those same periods. The cost value of a pool share was constant at \$1.00.

	2014		2013	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	\$ 7,916,983	\$ 7,919,348	\$ 7,717,000	\$ 7,719,108

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, 2014 and 2013

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

B. Investments (Continued):

<u>June 30, 2014</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	\$ 0	\$ 0	\$ 137,193	\$ 137,193	\$ 137,193
<u>June 30, 2013</u>					
U.S. Government Securities	\$	\$	\$ 21,469		
Other Governmental Entities	602,500				
Total	\$ 602,500	\$ 0	\$ 21,469	\$ 623,969	\$ 623,274

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, 2014 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
Certificates of Deposit	\$ 240,000	\$ 240,096	9/2014
Certificates of Deposit	130,000	129,982	9/2014
Certificates of Deposit	140,000	140,118	9/2014
Certificates of Deposit	210,000	209,945	9/2014
Certificates of Deposit	200,000	199,984	9/2014
Certificates of Deposit	144,000	143,983	9/2014
Certificates of Deposit	115,000	115,186	9/2014
Certificates of Deposit	200,000	200,290	9/2014
Certificates of Deposit	105,000	105,237	9/2014
Certificates of Deposit	105,000	105,028	9/2014
Certificates of Deposit	97,000	97,997	11/2014
Certificates of Deposit	220,000	219,969	12/2014
Certificates of Deposit	97,000	98,290	1/2015
Certificates of Deposit	100,000	99,878	1/2015
Certificates of Deposit	118,000	118,444	2/2015
Certificates of Deposit	137,000	137,134	2/2015
Certificates of Deposit	100,000	100,092	3/2015
Certificates of Deposit	236,000	235,641	3/2015
Certificates of Deposit	108,000	108,058	3/2015
Certificates of Deposit	205,000	204,637	3/2015
Certificates of Deposit	120,000	119,776	4/2015

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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

B. Investments (Continued):

Certificates of Deposit	230,000	231,194	4/2015
Certificates of Deposit	112,000	112,597	5/2015
Certificates of Deposit	133,000	133,726	6/2015
Certificates of Deposit	100,000	99,883	7/2015
Certificates of Deposit	120,000	120,682	7/2015
Certificates of Deposit	240,000	239,170	9/2015
Certificates of Deposit	101,000	100,959	4/2017
Certificates of Deposit	240,000	242,018	6/2015

Weighted average maturity 1/2015

Investments of the District subject to interest rate risk on June 30, 2013 are summarized as follows:

	Cost	Market Value	Maturity
Certificates of Deposit	\$ 119,000	\$ 119,055	8/2013
Certificates of Deposit	136,000	136,291	9/2013
Certificates of Deposit	103,000	103,405	9/2013
Certificates of Deposit	105,000	105,127	9/2013
Certificates of Deposit	110,000	109,954	9/2013
Certificates of Deposit	207,000	206,779	11/2013
Certificates of Deposit	220,000	219,756	11/2013
Certificates of Deposit	97,000	100,104	1/2014
Certificates of Deposit	97,000	98,575	1/2014
Certificates of Deposit	97,000	98,575	1/2014
Certificates of Deposit	108,000	108,294	2/2014
Certificates of Deposit	236,000	238,287	2/2014
Certificates of Deposit	202,000	201,739	3/2014
Certificates of Deposit	240,000	240,624	6/2014
Certificates of Deposit	240,000	240,622	8/2014
Certificates of Deposit	140,000	140,364	9/2014
Certificates of Deposit	115,000	115,696	9/2014
Certificates of Deposit	200,000	199,650	9/2014
Certificates of Deposit	105,000	105,910	9/2014
Certificates of Deposit	105,000	104,752	9/2014
Certificates of Deposit	97,000	100,235	1/2015
Certificates of Deposit	118,000	118,611	2/2015
Certificates of Deposit	137,000	136,633	2/2015
Certificates of Deposit	100,000	99,710	3/2015
Certificates of Deposit	108,000	107,580	3/2015
Certificates of Deposit	230,000	231,474	4/2015
Certificates of Deposit	112,000	112,696	5/2015
Certificates of Deposit	133,000	133,817	6/2015
Certificates of Deposit	120,000	120,658	7/2015
Certificates of Deposit	101,000	102,159	4/2017
Certificates of Deposit	240,000	239,796	11/2017

Weighted average maturity 9/2014

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2014</u>	<u>2013</u>
Cash Deposits and on Hand	\$ 4,997,761	\$ 5,061,140
LAIF	7,916,983	7,717,000
Investments	<u>137,193</u>	<u>623,969</u>
	<u>\$ 13,051,937</u>	<u>\$ 13,402,109</u>
 <u>Cash and Investments</u>		
<u>Classified in the Balance Sheet:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 12,503,876	\$ 12,402,406
Restricted	410,868	537,197
Restricted (Book Overdraft)	<u> </u>	<u>(161,463)</u>
	<u>\$ 12,914,744</u>	<u>\$ 12,778,140</u>
Investments:		
Unrestricted	\$ 137,193	\$ 21,469
Restricted	<u> </u>	<u>602,500</u>
	<u>\$ 137,193</u>	<u>\$ 623,969</u>
	<u>\$ 13,051,937</u>	<u>\$ 13,402,109</u>

NOTE 3 ACCOUNTS RECEIVABLE:

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

	<u>2014</u>	<u>2013</u>
Service Charges	\$ 114,790	\$ 201,155
Taxes, Net of Allowance for Doubtful Accounts of \$0 for 2014 and 2013.	<u>248,303</u>	<u>236,988</u>
	<u>\$ 372,232</u>	<u>\$ 438,143</u>

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

	<u>2014</u>	<u>2013</u>
Interest	\$	\$ 7,833
Grants	<u>117,756</u>	<u>270,106</u>
	<u>\$ 117,756</u>	<u>\$ 277,939</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 4 RESTRICTED ASSETS AND LIABILITIES:

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

	<u>Sewer</u> Construction Reserves	<u>Water</u> Construction Reserves	<u>Recreation</u> Construction Reserves	Total
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 227,800	\$ 150,048	\$ 33,020	\$ 410,868
Investments				602,500
Accounts Receivable		120,962	(3,206)	117,756
Deposits and Prepaid Expenses			16,239	16,239
	<u>\$ 227,800</u>	<u>\$ 271,010</u>	<u>\$ 46,053</u>	<u>\$ 544,863</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>				
Accounts Payable	\$ 14,105	\$ 104,256	\$	\$ 118,361
	<u>\$ 14,105</u>	<u>\$ 104,256</u>	<u>\$ 0</u>	<u>\$ 118,361</u>

Restricted assets at June 30, 2013 are identified by use as follows:

	<u>Sewer</u> Construction Reserves	<u>Water</u> Construction Reserves	<u>Recreation</u> Construction Reserves	Total
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 460,951	\$ 76,246	\$	\$ 537,197
Investments		602,500		602,500
Accounts Receivable		82,464	195,475	277,939
Deposits and Prepaid Expenses			16,239	16,239
	<u>\$ 460,951</u>	<u>\$ 761,210</u>	<u>\$ 211,714</u>	<u>\$ 1,433,875</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>				
Cash and Cash Equivalents (Book Overdraft)	\$	\$	\$ 161,463	\$ 161,463
Accounts Payable	244,691	118,513		363,204
	<u>\$ 244,691</u>	<u>\$ 118,513</u>	<u>\$ 161,463</u>	<u>\$ 524,667</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 5 PENSION 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.

Funding Policy:

Employees Hired Prior to January 1, 2013 - Active plan members are required to contribute 7% of their annual covered salary. The District makes the contributions required of District's employees on their behalf and for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The employer contribution rates were 10.282% and 9.539% for the years ended June 30, 2014 and 2013, respectively. The contribution rate was established and may be amended by CalPERS.

Employees Hired After January 1, 2013 - For employees hired after January 1, 2013, the employer contribution rate is 6.25% and member contribution rate is 6.25%.

Annual Pension Cost:

For fiscal years ended June 30, 2014 and 2013, the District's annual pension costs were \$481,045 and \$453,640 respectively and were equal to the District's required and actual contributions.

Three-Year Trend Information:

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 5 PENSION PLAN (Continued):

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>
6/30/2012	\$ 455,971	100%	\$ 0
6/30/2013	\$ 453,640	100%	\$ 0
6/30/2014	\$ 481,045	100%	\$ 0

The required contribution for fiscal year 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), and (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% depending on age, service and type of employment. Both (a) and (b) include an inflation component of 2.75%, payroll growth of 3.00%, and individual salary growth using a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a 15 year period. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2011 was 20 years.

Funding Status and Funding Progress:

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

As of June 30, 2012, the most recent actuarial valuation date, the plan was 77.2% funded. The actuarial accrued liability for benefits was \$875,475 and the actuarial value of the assets was \$740,948, resulting in an unfunded actuarial liability (UAAL) of \$134,527. The covered payroll (annual payroll of active employees covered under by the plan) was \$2.6 million, and the ratio of the UAAL to the covered payroll was 5.17%.

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 6

CAPITAL ASSETS:

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

Sewer Fund:

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

Water Fund:

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 6

CAPITAL ASSETS (Continued):

Recreation Fund:

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

Total of Net Assets:

Sewer Department	\$ 16,729,427
Water Department	18,672,380
Recreation Department	<u>15,032,880</u>
	<u>\$ 50,434,687</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2013:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 905,912	\$	\$	\$ 905,912
Construction In Progress	<u>620,988</u>	<u>835,640</u>	<u>(133,124)</u>	<u>1,323,504</u>
Total Capital Assets not being Depreciated	<u>\$ 1,526,900</u>	<u>\$ 835,640</u>	<u>(\$ 133,124)</u>	<u>\$ 2,229,416</u>
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 2,041,791	\$	\$	\$ 2,041,791
Sewage System	28,354,610	405,291		28,759,901
Vehicles and Equipment	4,650,346	63,577		4,713,923
Furniture and Office Equipment	<u>694,920</u>	<u>42,374</u>		<u>737,294</u>
Total Capital Assets being Depreciated	<u>\$ 35,741,667</u>	<u>\$ 511,242</u>	<u>\$ 0</u>	<u>\$ 36,252,909</u>
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 1,107,489	\$ 52,500	\$	\$ 1,159,989
Sewage System	15,998,423	650,668		16,649,091
Vehicles and Equipment	4,016,967	187,832		4,204,799
Furniture and Office Equipment	<u>673,217</u>	<u>31,950</u>		<u>705,167</u>
Total Accumulated Depreciation	<u>\$ 21,796,096</u>	<u>\$ 922,950</u>	<u>\$ 0</u>	<u>\$ 22,719,046</u>
Net Capital Assets	<u>\$ 15,472,471</u>	<u>\$ 423,932</u>	<u>(\$ 133,124)</u>	<u>\$ 15,763,279</u>

The above amounts include \$497,192 of cost and \$453,436 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	<u>4,991,182</u>	<u>221,521</u>	<u>(2,030,328)</u>	<u>3,182,375</u>
Total Capital Assets not being Depreciated	<u>\$ 5,771,229</u>	<u>\$ 221,521</u>	<u>(\$ 2,030,328)</u>	<u>\$ 3,962,422</u>
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 23,858,334	\$ 2,230,865		\$ 26,089,199
Vehicles and Equipment	211,999			211,999
Furniture and Office Equipment	<u>35,919</u>			<u>35,919</u>
Total Capital Assets being Depreciated	<u>\$ 24,106,252</u>	<u>\$ 2,230,865</u>	<u>\$ 0</u>	<u>\$ 26,337,117</u>
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 10,513,562	\$ 748,898	\$	\$ 11,262,460
Vehicles and Equipment	148,485	11,609		160,094
Furniture and Office Equipment	<u>25,999</u>	<u>3,501</u>		<u>29,500</u>
Total Accumulated Depreciation	<u>\$ 10,688,046</u>	<u>\$ 764,008</u>	<u>\$</u>	<u>\$ 11,452,054</u>
Net Capital Assets	<u>\$ 19,189,435</u>	<u>\$ 1,688,378</u>	<u>(\$ 2,030,328)</u>	<u>\$ 18,847,485</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 6 CAPITAL ASSETS (Continued):

Recreation Fund:

<u>Capital Assets not being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 7,025,000	\$	\$	\$ 7,025,000
Construction In Progress	275,741		(275,741)	
 Total Capital Assets not being Depreciated	 \$ 7,300,741	 \$	 (\$ 275,741)	 \$ 7,025,000
 <u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 13,173,300	\$ 2,112,904	\$	\$ 15,286,204
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
 Total Capital Assets being Depreciated	 \$ 14,009,310	 \$ 2,112,904	 \$	 \$ 16,122,214
 <u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 4,832,887	\$ 508,354	\$	\$ 5,341,241
Vehicles and Equipment	680,178	11,435		691,613
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	134,353	449		134,802
 Total Accumulated Depreciation	 \$ 7,141,535	 \$ 520,238	 \$	 \$ 7,661,773
 Net Capital Assets	 \$ 14,168,516	 \$ 1,592,666	 (\$ 275,741)	 \$ 15,485,441
 <u>Total of Net Assets:</u>				
Sewer Department				\$ 15,763,279
Water Department				18,847,485
Recreation Department				15,485,441
				<u>\$ 50,096,205</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, 2014					
Certificates of Participation	\$ 675,000	\$ 0	(\$ 675,000)	\$ 0	\$ 0
June 30, 2013					
Certificates of Participation	\$ 1,330,000	\$ 0	(\$ 635,000)	\$ 675,000	\$ 675,000

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 7 LONG-TERM DEBT (Continued):

A. Certificates of Participation (Continued):

Final payment was made in February 2014.

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

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

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

B. Installment Note:

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
June 30, 2014					
Installment Note	\$ 4,500,000	\$ 0	(\$ 270,834)	\$ 4,229,166	\$ 281,638
June 30, 2013					
Installment Note	\$ 4,500,000	\$ 0	\$ 0	\$ 4,500,000	\$ 270,834

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 7 LONG-TERM DEBT (Continued):

C. Interest Expense:

Total interest incurred was \$180,488 and \$196,148 for 2014 and 2013, respectively. As of June 30, 2014 and 2013, all interest was expensed.

D. Debt Service Requirements:

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

June 30	Installment Note	Total Principal	Interest	Total Debt Service
2015	\$ 281,638	\$ 281,638	\$ 164,298	\$ 445,936
2016	292,872	292,872	153,064	445,936
2017	304,555	304,555	141,381	445,936
2018	316,704	316,704	129,232	445,936
2019	329,337	329,337	116,599	445,936
Thereafter	<u>2,704,060</u>	<u>2,704,060</u>	<u>417,490</u>	<u>3,121,550</u>
Total Debt	\$ 4,229,166	\$ 4,229,166	\$ 1,122,064	\$ 5,351,230
Less: Current Portion	(281,638)	(281,638)	(164,298)	(445,936)
Total Long Term Debt, Net of Current Portion	<u>\$ 3,947,528</u>	<u>\$ 3,947,528</u>	<u>\$ 957,766</u>	<u>\$ 4,905,294</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES:

Construction Commitments:

The District has entered into design and construction commitments totaling \$1,505,692 and \$6,527,537 for fiscal years ended June 30, 2014 and 2013, respectively. As of June 30, 2014, the amount earned on the contracts was \$589,510 with a remaining balance of \$916,182. As of June 30, 2013, the amount earned on the contracts was \$5,977,793, with a remaining balance of \$549,744.

Litigation:

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 9 VOTER LEGISLATION:

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase and extend assessments and fees. Any new, increased, or extended assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the District's ability to finance the services for which assessments and fees are imposed may be significantly impaired. At this time, it is uncertain how Proposition 218 will affect the District's ability to maintain or increase the revenue it receives from assessments and fees.

NOTE 10 RELATED PARTY TRANSACTIONS:

The District has entered into a joint powers agreement with others to form a separate entity to provide insurance coverage. As a result, the District has related party transactions with SDRMA. During the years ended June 30, 2014 and 2013, the District paid the SDRMA \$91,617 and \$99,735, respectively, for workers' compensation insurance coverage.

NOTE 11 NEW PRONOUNCEMENTS:

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

NOTE 12 SUBSEQUENT EVENTS:

On July 28, 2014, the District entered into a construction commitment in the amount of \$3,626,000 to construct a new administration building. As of the subsequent event evaluation, the outstanding commitment balance was \$2,882,939. The District's management has evaluated subsequent events through February 9, 2015, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

North Tahoe Public Utility District

Schedule 1

COMPARISON OF BUDGET TO ACTUAL

June 30, 2014

<u>Revenues:</u>	Budgeted Amounts Original and Final	Actual Amounts	Positive (Negative) Variance With Budget
Service Charges	\$ 5,386,573	\$ 5,539,301	\$ 152,728
Recreation Events and Programs	998,569	997,649	(920)
Property Taxes/CFD 94-1	4,080,000	4,241,286	161,286
Investment Income	89,500	54,309	(35,191)
Grants	153,328	204,168	50,840
Miscellaneous/Gain on Property Sale	72,000	71,173	(827)
Capital Contributions	36,270	106,208	69,938
	<u>\$ 10,816,240</u>	<u>\$ 11,214,094</u>	<u>\$ 397,854</u>
 <u>Expenses:</u>			
Direct Operating Expenses	\$ 5,349,078	\$ 5,178,374	\$ 170,704
Administration and General	2,671,998	2,581,893	90,105
Depreciation	2,120,000	2,299,367	(179,367)
Interest Expense	197,800	180,488	17,312
Fiscal Agent Fees	82,000	78,295	3,705
	<u>\$ 10,420,876</u>	<u>\$ 10,318,417</u>	<u>(\$ 102,459)</u>
 Total Positive Variance	 <u>\$ 395,364</u>	 <u>\$ 895,677</u>	 <u>\$ 500,313</u>