

**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, 2010 and 2009



North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2010 and 2009

BOARD OF DIRECTORS

S. Lane Lewis, President

John Bergmann, Vice President

Frank Mooney, Treasurer

Sue Daniels, Director

Tim Ferrell, Director

MANAGEMENT

Curtis Aaron, General Manager/Chief Executive Officer

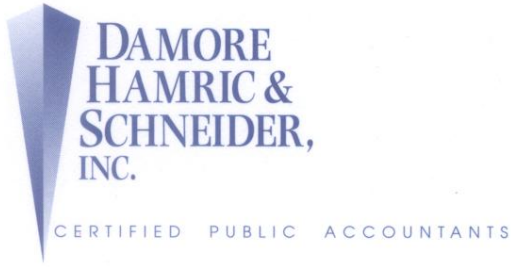
Larry Marple, Chief Financial Officer

North Tahoe Public Utility District

TABLE OF CONTENTS

June 30, 2010 and 2009

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 11
GENERAL PURPOSE FINANCIAL STATEMENTS:	
STATEMENTS OF NET ASSETS	12 - 13
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	14
STATEMENTS OF CASH FLOWS	15 - 16
NOTES TO FINANCIAL STATEMENTS	17 - 37
 S U P P L E M E N T A R Y   I N F O R M A T I O N	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	39
SCHEDULE 1 – COMPARISON OF BUDGET TO ACTUAL	40



## 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, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of North Tahoe Public Utility District as of June 30, 2010 and 2009, 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.

The management's discussion and analysis on pages five through eleven 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*

DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

January 24, 2011

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North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT

The District's Current Assets increased \$388,524 from \$9,710,255 to \$10,098,779. Net Capital Assets rose from \$43,701,790 to \$43,896,844, an increase of \$195,054. The District's Total Assets increased by \$625,122 to \$55,557,989. Current Liabilities (Payable from Current Assets) increased by \$124,398 to \$1,487,704. Current Liabilities payable from Restricted Assets increased from \$252,460 to \$716,329. Long Term Liabilities decreased by \$689,862 to \$2,125,310 due primarily to making the principal payment on the Water department's Certificate of Participation. Net Assets Invested in Capital Assets increased \$871,599. Restricted Net Assets decreased by \$322,096 driven by completion of capital projects. Unrestricted Net Assets increased by \$177,216. These improvements to the District's Net Assets are attributed in part to increased fees in the Sewer and Water Departments.

FINANCIAL HIGHLIGHTS - SEWER FUND

Current Unrestricted Assets increased \$852,330 from \$7,732,095 to \$8,584,425. Restricted Assets decreased \$474,060 from \$688,766 to \$214,706. Net Capital Assets decreased by \$312,678 from \$15,711,388 to \$15,398,710 as Accumulated Depreciation increased more than the additions to Capital Assets. The Dollar Main Generator Installation and Carnelian Force Main Valve projects contributed to the increase by adding \$262,139 and \$51,876 respectively to the sewer system. Current Liabilities increased \$49,241 from \$598,880 to \$648,121. Current Liabilities (Payable from Restricted Assets) increased by \$60,817. Noncurrent Liabilities decreased from \$235,172 to \$160,310. Unrestricted Net Assets increased \$806,420 from \$7,204,748 to \$8,011,168. Total Net Assets increased by \$30,396. Operating Revenues increased by \$74,375 from \$1,534,090 to \$1,608,465 due to a 4.5% rate increase halfway through the year on base rates and on the System Replacement Fee. Total Operating Expenses were \$833,371 higher than 2009. Property Tax revenue of \$3,301,983 lagged the prior year amount by \$285,592 due to the state postponement of proposition 1A and declines in property value assessments. Investment income increased by \$25,034. Grant revenue decreased by \$72,175 over 2009. The total Change in Net Assets for 2010 was an increase of \$30,396 a \$1,132,646 deterioration over 2009.

FINANCIAL HIGHLIGHTS - WATER FUND

Current Assets decreased by \$361,181 bringing the total to \$1,089,096 down from \$1,450,277. Restricted Assets increased by \$415,376. Net Capital Assets increased by a net of \$1,088,380

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

due in part to the Zone 1 and Zone 2 water tank projects, contributing \$540,607 and \$464,576 respectively to the water system. Current Liabilities (Payable from Current Assets) increased from \$672,968 to \$735,601. Current Liabilities (Payable from Restricted Assets) increased by \$311,662. Long-Term Liabilities decreased by \$615,000 due to the annual principal payment on the Certificates of Participation. Unrestricted Net Assets decreased from \$1,476,553 to \$968,495 for a decrease of \$508,058. Total Net Assets increased by \$1,383,280 bringing the new amount to \$12,929,569. Revenues grew by \$176,976 due to a 4 ½% rate increase on January 1, 2010. Total Operating Expenses were \$62,505 higher than in 2009. The Change in Net Assets for 2010 of \$1,383,280 is \$220,238 higher than 2009.

FINANCIAL HIGHLIGHTS - RECREATION FUND

Current Assets decreased from \$527,883 to \$425,258. Restricted Assets increased by \$100,228 to \$292,097. Capital Assets net of Accumulated Depreciation decreased by a net of \$580,648 to \$14,633,300. Decreases were due to depreciation of \$447,025 and a \$319,686 write-off of the North Tahoe Regional Bike Trail. Increases to Capital Assets included \$163,801 of work-in-progress costs related to the Tahoe Vista Recreation Area. Current Liabilities (Payable from Current Assets) increased \$12,524 to \$103,982. Current Liabilities (Payable from Restricted Assets) grew \$91,390 from \$116,076 to \$207,466. Unrestricted Net Assets dropped by \$121,146 to close at \$321,278. Total Net Asset decreased by \$686,957 from \$15,726,166 to \$15,039,209. Recreation Events and Program Revenues were \$363,797 lower than they were in 2009 coming in at \$883,745. Total Operating Expenses increased by \$124,902. The Recreation assessment called Community Facilities District 94-1 (CFD 94-1) brought in \$503,612 in 2010, \$8,074 more than 2009. Grant revenue was higher in the year with \$236,772 compared to \$218,922 in 2009. The \$686,957 decrease in Net Assets was \$461,695 more than the \$225,262 decrease in 2009.

OVERVIEW OF THE FINANCIAL HIGHLIGHTS

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

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net 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.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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 2009/2010?" 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, 2010

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 6/30/2010	FYE 6/30/2009	Change in Dollars	Percent Change
Current Assets	\$ 10,098,781	\$ 9,710,255	\$ 388,526	4%
Restricted Assets	1,562,366	1,520,822	41,544	3%
Net Capital Assets	<u>43,896,844</u>	<u>43,701,790</u>	<u>195,054</u>	0%
 Total Assets	 <u>\$ 55,557,991</u>	 <u>\$ 54,932,867</u>	 <u>\$ 625,124</u>	 1%
Current Liabilities Unrestricted	\$ 1,487,704	\$ 1,363,306	\$ 124,398	9%
Current Liabilities Restricted	716,329	252,460	463,869	184%
Long Term Liabilities	<u>2,125,310</u>	<u>2,815,172</u>	<u>( 689,862)</u>	-25%
 Total Liabilities	 <u>\$ 4,329,343</u>	 <u>\$ 4,430,938</u>	 <u>(\$ 101,595)</u>	 -2%
Invested in Capital Assets, Net of Related Debt	\$ 41,081,671	\$ 40,210,072	\$ 871,599	2%
Restricted for Capital Outlay	231,494	635,505	( 404,011)	-64%
Restricted for Debt Service	614,542	525,497	89,045	17%
Restricted for Trusteed Funds		7,130	( 7,130)	-100%
Unrestricted (Designated for Board Reserves)	2,875,757	1,141,532	1,734,225	152%
Unrestricted (Undesignated)	<u>6,425,184</u>	<u>7,982,193</u>	<u>( 1,557,009)</u>	-20%
 Total Net Assets	 <u>\$ 51,228,648</u>	 <u>\$ 50,501,929</u>	 <u>\$ 726,719</u>	 1%

As can be seen from the table above, Net Assets grew from \$50,501,929 to \$51,228,648. The makeup of Net Assets changed as amounts invested in Capital Assets increased by \$871,599 or 2%, while amounts restricted for Capital Outlay dropped by \$404,011 or -64% as the money was spent on eligible capital projects. Amounts Restricted for Debt Service increased by \$89,045. Unrestricted Net Assets increased from \$9,123,725 to \$9,300,941 in 2010, a \$177,216 increase, or 2%.



North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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

	FYE 6/30/2010	FYE 6/30/2009	Change in Dollars	Percent Change
Operating Revenues	\$ 6,324,629	\$ 6,437,075	(\$ 112,446)	- 2%
Operating Expenses	<u>10,013,102</u>	<u>8,992,324</u>	<u>1,020,778</u>	11%
Net Operating Loss	(\$ 3,688,473)	(\$ 2,555,249)	(\$ 1,133,224)	44%
Property Tax Revenues	\$ 3,805,595	\$ 4,083,113	(\$ 277,518)	- 7%
Other Non-Operating Revenues & Expenses	<u>606,343</u>	<u>445,696</u>	<u>160,647</u>	36%
Non-Operating Revenues & Expenses	<u>\$ 4,411,938</u>	<u>\$ 4,528,809</u>	<u>\$ (116,871)</u>	- 3%
Income Before Capital Contributions	\$ 723,465	\$ 1,973,560	(\$ 1,250,095)	- 63%
Capital Contributions/Connection Fees	<u>3,254</u>	<u>48,051</u>	<u>(44,797)</u>	- 93%
Change in Net Assets	\$ 726,719	\$ 2,021,611	(\$ 1,294,892)	- 64%
Beginning Net Assets	<u>50,501,929</u>	<u>48,480,318</u>	<u>2,021,611</u>	4%
Ending Net Assets	<u>\$ 51,228,648</u>	<u>\$ 50,501,929</u>	<u>\$ 726,719</u>	1%

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 2010 was less than the increase in FY 2009 due to an increase of \$1,133,224 in the Net Operating Loss. Total Operating Revenues decreased by \$112,446 while total Operating Expenses increased by \$1,020,778. The decrease in Non-Operating Revenue was due to a decrease in Property Tax Revenues due to the State of California's suspension of Proposition 1A and lower assessed values. Property Tax Revenue was down by \$277,518 from \$4,083,113 in 2009 to \$3,805,595 in 2010. Capital Contributions/Connection Fees dropped from \$48,051 in 2009 to \$3,254 in 2010.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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 2010 budget comparison and analysis is presented in Table A-3.

**Table A-3**  
Budgeted Summary

	Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues	\$ 6,345,011	\$ 6,324,629	(\$ 20,382)
Operating Expenses	<u>10,662,210</u>	<u>10,013,102</u>	<u>649,108</u>
Net Operating Loss	(\$ 4,317,199)	(\$ 3,688,473)	\$ 628,726
Property Tax Revenues	\$ 3,873,000	\$ 3,805,595	(\$ 67,405)
Other Non-Operating Revenues & Expenses	<u>589,560</u>	<u>606,343</u>	<u>16,783</u>
Non-Operating Revenues & Expenses	\$ 4,462,560	\$ 4,411,938	\$ 50,622
Income Before Capital Contributions	\$ 145,361	\$ 723,465	\$ 578,104
Capital Contributions/Connection Fees	<u>57,268</u>	<u>3,254</u>	(\$ 54,014)
Change in Net Assets	<u>\$ 202,629</u>	<u>\$ 726,719</u>	<u>\$ 524,090</u>

Operating Revenues of \$6,324,629 fell short of the Budget of \$6,564,156 creating an unfavorable variance of \$239,527. Metered Water Charges were less than budgeted accounting for \$67,000 of the variance. Event Center revenue was \$272,000 under budget while Parking Revenue enjoyed a positive variance of \$44,000. Operating Expenses of \$10,013,102 were under the \$13,293,774 budget. Property Tax Revenues (including Recreation's CFD 94-1 Revenue) of \$3,805,595 lagged budget by \$67,405. Grants were under budget by \$29,151 while Investment Income was \$33,626 over budget. Other Non-Operating Revenues and Expenses ended the year with \$49,235 more than budget.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

CAPITAL ASSETS

**Table A-4**  
Condensed Statement of Fixed Assets

	FYE 6/30/2010	FYE 6/30/2009	Change in Dollars	Percent Change
Fixed Assets	\$ 76,940,610	\$ 76,482,500	\$ 458,110	1%
Construction in Process	<u>2,447,650</u>	<u>851,725</u>	<u>1,595,925</u>	187%
	<u>\$ 79,388,260</u>	<u>\$ 77,334,225</u>	<u>\$ 2,054,035</u>	3%
Accumulated Depreciation	( <u>35,491,416</u> )	( <u>33,632,435</u> )	( <u>1,858,981</u> )	6%
Net Capital Assets	<u>\$ 43,896,844</u>	<u>\$ 43,701,790</u>	<u>\$ 195,054</u>	0%

At the end of fiscal year 2010, the District had \$43,896,844 invested in capital assets as shown in Table A-4. Fixed Assets grew by \$458,110. This increase included \$233,639 of additions to Buildings, Vehicles and Office Furniture and Equipment while disposing \$130,224 of Vehicles. \$145,871 of improvements were made to the Water System, while \$7,845 of improvements were made to Recreation Buildings. Construction in Process increased by \$1,595,925. Accumulated Depreciation grew by \$1,858,981.

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 [lmurple@ntpud.org](mailto:lmurple@ntpud.org).

North Tahoe Public Utility District

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

<u>Assets:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2010</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2009</u>
<b>Current Assets:</b>								
Cash and Cash Equivalents	\$ 7,206,096	\$ 1,000,766	\$ 424,916	\$ 8,631,778	\$ 6,416,467	\$ 1,322,981	\$ 487,428	\$ 8,226,876
Investments	696,073			696,073	848,144			848,144
Accounts Receivable	416,834	88,330		505,164	219,274	127,296	27,973	374,543
Inventory	259,784		344	260,128	244,580		17	244,597
Deposits and Prepaid Expenses	5,638			5,638	3,630		12,465	16,095
<b>Total Current Assets</b>	<b>\$ 8,584,425</b>	<b>\$ 1,089,096</b>	<b>\$ 425,260</b>	<b>\$ 10,098,781</b>	<b>\$ 7,732,095</b>	<b>\$ 1,450,277</b>	<b>\$ 527,883</b>	<b>\$ 9,710,255</b>
<b>Restricted Assets:</b>								
Cash and Cash Equivalents	\$ 146,007	\$ 388,618		\$ 534,625	\$ 632,184	\$ 29,811		\$ 661,995
Investments		602,500		602,500		602,500		602,500
Accounts Receivable	68,699	64,445	287,097	420,241	56,582	7,876	186,869	251,327
Deposits and Prepaid Expenses			5,000	5,000			5,000	5,000
<b>Total Restricted Assets</b>	<b>\$ 214,706</b>	<b>\$ 1,055,563</b>	<b>\$ 292,097</b>	<b>\$ 1,562,366</b>	<b>\$ 688,766</b>	<b>\$ 640,187</b>	<b>\$ 191,869</b>	<b>\$ 1,520,822</b>
<b>Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 15,398,710</b>	<b>\$ 13,864,834</b>	<b>\$ 14,633,300</b>	<b>\$ 43,896,844</b>	<b>\$ 15,711,388</b>	<b>\$ 12,776,454</b>	<b>\$ 15,213,948</b>	<b>\$ 43,701,790</b>
<b>Total Assets</b>	<b>\$ 24,197,841</b>	<b>\$ 16,009,493</b>	<b>\$ 15,350,657</b>	<b>\$ 55,557,991</b>	<b>\$ 24,132,249</b>	<b>\$ 14,866,918</b>	<b>\$ 15,933,700</b>	<b>\$ 54,932,867</b>

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

North Tahoe Public Utility District

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

<u>Liabilities:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2010</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2009</u>
Current Liabilities (Payable from Current Assets):								
Accounts Payable	\$ 171,716	\$ 59,353	\$ 37,689	\$ 268,758	\$ 80,323	\$ 27,245	\$ 34,746	\$ 142,314
Accrued Liabilities	401,542	61,248	66,293	529,083	447,011	40,723	56,712	544,446
Current Portion of Long-Term Debt	74,863	615,000		689,863	71,546	605,000		676,546
Total Current Liabilities (Payable from Current Assets)	<u>\$ 648,121</u>	<u>\$ 735,601</u>	<u>\$ 103,982</u>	<u>\$ 1,487,704</u>	<u>\$ 598,880</u>	<u>\$ 672,968</u>	<u>\$ 91,458</u>	<u>\$ 1,363,306</u>
Current Liabilities (Payable from Restricted Assets):								
Cash and Cash Equivalents (Book Overdraft)	\$		\$ 203,388	\$ 203,388	\$		\$ 111,893	\$ 111,893
Accounts Payable	129,540	379,323	4,078	512,941	68,723	67,661	4,183	140,567
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 129,540</u>	<u>\$ 379,323</u>	<u>\$ 207,466</u>	<u>\$ 716,329</u>	<u>\$ 68,723</u>	<u>\$ 67,661</u>	<u>\$ 116,076</u>	<u>\$ 252,460</u>
Total Current Liabilities	<u>\$ 777,661</u>	<u>\$ 1,114,924</u>	<u>\$ 311,448</u>	<u>\$ 2,204,033</u>	<u>\$ 667,603</u>	<u>\$ 740,629</u>	<u>\$ 207,534</u>	<u>\$ 1,615,766</u>
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	\$ 160,310	\$ 1,965,000	\$ 0	\$ 2,125,310	\$ 235,172	\$ 2,580,000	\$ 0	\$ 2,815,172
Total Liabilities	<u>\$ 937,971</u>	<u>\$ 3,079,924</u>	<u>\$ 311,448</u>	<u>\$ 4,329,343</u>	<u>\$ 902,775</u>	<u>\$ 3,320,629</u>	<u>\$ 207,534</u>	<u>\$ 4,430,938</u>
<u>Net Assets:</u>								
Invested in Capital Assets, Net of Related Debt	\$ 15,163,537	\$ 11,284,834	\$ 14,633,300	\$ 41,081,671	\$ 15,404,670	\$ 9,591,454	\$ 15,213,948	\$ 40,210,072
Restricted for:								
Capital Outlay	85,165	61,698	84,631	231,494	620,056	( 47,215)	62,664	635,505
Debt Service		614,542		614,542		525,497		525,497
Trusteed Funds							7,130	7,130
Unrestricted	<u>8,011,168</u>	<u>968,495</u>	<u>321,278</u>	<u>9,300,941</u>	<u>7,204,748</u>	<u>1,476,553</u>	<u>442,424</u>	<u>9,123,725</u>
Total Net Assets	<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>

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, 2010 and 2009

	Sewer	Water	Recreation	Total 2010	Sewer	Water	Recreation	Total 2009
<u>Operating Revenues:</u>								
Service Charges	\$ 1,608,465	\$ 3,832,419		\$ 5,440,884	\$ 1,534,090	\$ 3,655,443		\$ 5,189,533
Recreation Events & Programs			883,745	883,745			1,247,542	1,247,542
<b>Total Operating Revenues</b>	<b>\$ 1,608,465</b>	<b>\$ 3,832,419</b>	<b>\$ 883,745</b>	<b>\$ 6,324,629</b>	<b>\$ 1,534,090</b>	<b>\$ 3,655,443</b>	<b>\$ 1,247,542</b>	<b>\$ 6,437,075</b>
<u>Operating Expenses:</u>								
Direct Operating Expenses	\$ 2,136,999	\$ 1,647,977	\$ 1,758,116	\$ 5,543,092	\$ 1,560,552	\$ 1,635,336	\$ 1,613,166	\$ 4,809,054
Administration & General	2,070,805	282,000	128,000	2,480,805	1,823,390	282,000	125,000	2,230,390
Depreciation	890,655	651,525	447,025	1,989,205	881,146	601,661	470,073	1,952,880
<b>Total Operating Expenses</b>	<b>\$ 5,098,459</b>	<b>\$ 2,581,502</b>	<b>\$ 2,333,141</b>	<b>\$ 10,013,102</b>	<b>\$ 4,265,088</b>	<b>\$ 2,518,997</b>	<b>\$ 2,208,239</b>	<b>\$ 8,992,324</b>
<b>Operating Income/(Loss)</b>	<b>(\$ 3,489,994)</b>	<b>\$ 1,250,917</b>	<b>(\$ 1,449,396)</b>	<b>(\$ 3,688,473)</b>	<b>(\$ 2,730,998)</b>	<b>\$ 1,136,446</b>	<b>(\$ 960,697)</b>	<b>(\$ 2,555,249)</b>
<u>Non-Operating Revenue (Expense):</u>								
Property Taxes/CFD 94-1	\$ 3,301,983		\$ 503,612	\$ 3,805,595	\$ 3,587,575		\$ 495,538	\$ 4,083,113
Investment Income	221,428	18,745	965	241,138	196,394	75,123	5,247	276,764
Grants	12,117	221,630	236,772	470,519	84,292	10,000	218,922	313,214
Marketing Fee			15,000	15,000			15,000	15,000
Miscellaneous/Gain on Property Sale	13,204	733	11,467	25,404	5,893		10,329	16,222
Interest Expense		( 90,929)		( 90,929)		( 105,412)	( 557)	( 105,969)
Fiscal Agent Fees	( 48,012)	( 1,400)	( 5,377)	( 54,789)	( 63,010)	( 1,400)	( 5,125)	( 69,535)
<b>Total Non-Operating Revenue</b>	<b>\$ 3,500,720</b>	<b>\$ 148,779</b>	<b>\$ 762,439</b>	<b>\$ 4,411,938</b>	<b>\$ 3,811,144</b>	<b>(\$ 21,689)</b>	<b>\$ 739,354</b>	<b>\$ 4,528,809</b>
<b>Gain/(Loss) Before Contributions and Transfers</b>	<b>\$ 10,726</b>	<b>\$ 1,399,696</b>	<b>(\$ 686,957)</b>	<b>\$ 723,465</b>	<b>\$ 1,080,146</b>	<b>\$ 1,114,757</b>	<b>(\$ 221,343)</b>	<b>\$ 1,973,560</b>
Capital Contributions - Connection Fees	1,285	1,969		3,254	22,740	25,311		48,051
Transfers In/(Out)	18,385	( 18,385)			60,156	( 56,237)	( 3,919)	
<b>Change in Net Assets</b>	<b>\$ 30,396</b>	<b>\$ 1,383,280</b>	<b>(\$ 686,957)</b>	<b>\$ 726,719</b>	<b>\$ 1,163,042</b>	<b>\$ 1,083,831</b>	<b>(\$ 225,262)</b>	<b>\$ 2,021,611</b>
Total Net Assets - Beginning	23,229,474	11,546,289	15,726,166	50,501,929	22,066,432	10,462,458	15,951,428	48,480,318
<b>Total Net Assets - Ending</b>	<b>\$ 23,259,870</b>	<b>\$ 12,929,569</b>	<b>\$ 15,039,209</b>	<b>\$ 51,228,648</b>	<b>\$ 23,229,474</b>	<b>\$ 11,546,289</b>	<b>\$ 15,726,166</b>	<b>\$ 50,501,929</b>

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, 2010 and 2009

	Sewer	Water	Recreation	Total 2010	Sewer	Water	Recreation	Total 2009
<u>Cash Flows from Operating Activities:</u>								
Receipts from Customers	\$ 1,398,788	\$ 3,871,385	\$ 911,718	\$ 6,181,891	\$ 1,523,658	\$ 3,659,795	\$ 1,512,690	\$ 6,696,143
Paid to Suppliers for Goods & Services	( 1,598,973)	( 1,877,344)	( 1,135,234)	( 4,611,551)	( 1,052,863)	( 1,904,190)	( 1,521,718)	( 4,478,771)
Paid to Employees for Services	( 2,519,302)		( 416,417)	( 2,935,719)	( 2,372,523)		( 501,891)	( 2,874,414)
Net Cash Provided (Used) by Operating Activities	<u>(\$ 2,719,487)</u>	<u>\$ 1,994,041</u>	<u>(\$ 639,933)</u>	<u>(\$ 1,365,379)</u>	<u>(\$ 1,901,728)</u>	<u>\$ 1,755,605</u>	<u>(\$ 510,919)</u>	<u>(\$ 657,042)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>								
Property Taxes Collected	\$ 3,301,983		\$ 503,612	\$ 3,805,595	\$ 3,587,575		\$ 495,538	\$ 4,083,113
Operating Grants Received	12,117			12,117	84,292	10,000		94,292
Transient Occupancy Tax			15,000	15,000			15,000	15,000
Transfer From/(To) Other Funds	18,385	(18,385)			60,156	(56,237)	(3,919)	
Other Non-Operating Revenues	13,204	733	11,467	25,404	5,893		10,329	16,222
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 3,345,689</u>	<u>(\$ 17,652)</u>	<u>\$ 530,079</u>	<u>\$ 3,858,116</u>	<u>\$ 3,737,916</u>	<u>(\$ 46,237)</u>	<u>\$ 516,948</u>	<u>\$ 4,208,627</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>								
Acquisition of Capital Assets	(\$ 577,977)	(\$ 1,428,243)	(\$ 41,693)	(\$ 2,047,913)	(\$ 631,698)	(\$ 2,270,992)	(\$ 157,461)	(\$ 3,060,151)
Capital Grants Received		165,061	93,447	258,508			218,922	218,922
Principal Paid on Bonds & Notes	( 71,545)	( 605,000)		( 676,545)	( 68,377)	( 585,000)		( 653,377)
Interest Paid on Bonds & Notes		( 90,929)		( 90,929)		( 105,412)	( 557)	( 105,969)
Fiscal Agent Fees	( 48,012)	( 1,400)	( 5,377)	( 54,789)	( 63,010)	( 1,400)	( 5,125)	( 69,535)
Contributed Capital - Connection Fees	1,285	1,969		3,254	22,740	25,311		48,051
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(\$ 696,249)</u>	<u>(\$ 1,958,542)</u>	<u>\$ 46,377</u>	<u>(\$ 2,608,414)</u>	<u>(\$ 740,345)</u>	<u>(\$ 2,937,493)</u>	<u>\$ 55,779</u>	<u>(\$ 3,622,059)</u>
<u>Cash Flows from Investing Activities:</u>								
Sale of Investments	\$ 152,071			\$ 152,071	\$ 1,101,847			\$ 1,101,847
Interest on Investments	221,428	18,745	965	241,138	196,394	75,123	5,247	276,764
Net Cash Provided by Investing Activities	<u>\$ 373,499</u>	<u>\$ 18,745</u>	<u>\$ 965</u>	<u>\$ 393,209</u>	<u>\$ 1,298,241</u>	<u>\$ 75,123</u>	<u>\$ 5,247</u>	<u>\$ 1,378,611</u>
Net Increase (Decrease) in Cash	\$ 303,452	\$ 36,592	(\$ 62,512)	\$ 277,532	\$ 2,394,084	(\$ 1,153,002)	\$ 67,055	\$ 1,308,137

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, 2010 and 2009

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2010</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2009</u>
Balance Forward	\$ 303,452	\$ 36,592	(\$ 62,512)	\$ 277,532	\$ 2,394,084	(\$ 1,153,002)	\$ 67,055	\$ 1,308,137
Cash & Cash Equivalents, Beginning of Year	<u>7,048,651</u>	<u>1,352,792</u>	<u>487,428</u>	<u>8,888,871</u>	<u>4,654,567</u>	<u>2,505,794</u>	<u>420,373</u>	<u>7,580,734</u>
Cash & Cash Equivalents, End 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>
<u>Cash &amp; Cash Equivalents as Presented on the Statement of Net Assets:</u>								
Current Assets: Cash and Cash Equivalents	\$ 7,206,096	\$ 1,000,766	\$ 424,916	\$ 8,631,778	\$ 6,416,467	\$ 1,322,981	\$ 487,428	\$ 8,226,876
Restricted Assets: Cash and Cash Equivalents	<u>146,007</u>	<u>388,618</u>	<u>          </u>	<u>534,625</u>	<u>632,184</u>	<u>29,811</u>	<u>          </u>	<u>661,995</u>
	<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>
<u>Reconciliation of Operating Income to Net</u>								
<u>Cash Provided/(Used) by Operating Activities:</u>								
Operating Income/(Loss)	(\$ 3,489,994)	\$ 1,250,917	(\$ 1,449,396)	(\$ 3,688,473)	(\$ 2,730,998)	\$ 1,136,446	(\$ 960,697)	(\$ 2,555,249)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	890,655	651,525	447,025	1,989,205	881,146	601,661	470,073	1,952,880
Loss on Abandonment of Bike Trail Project			309,801	309,801				
Changes in Certain Assets and Liabilities (Increase)/Decrease in:								
Accounts Receivable	( 209,677)	38,966	27,973	( 142,738)	( 10,432)	4,383	265,148	259,099
Inventory	( 15,204)		( 325)	( 15,529)	( 21,153)		1,533	( 19,620)
Deposits and Prepaid Expenses	( 2,008)		12,465	10,457	( 1,909)		23,626	21,717
Increase/(Decrease) in:								
Cash and Cash Equivalents (Book Overdraft)							( 247,543)	( 247,543)
Accounts Payable	152,210	32,108	2,943	187,261	17,473	18,600	( 55,676)	( 19,603)
Accrued Liabilities	( 45,469)	20,525	9,581	( 15,363)	( 35,855)	( 5,485)	( 7,383)	( 48,723)
Net Cash Provided/(Used) by Operating Activities	<u>(\$ 2,719,487)</u>	<u>\$ 1,994,041</u>	<u>(\$ 639,933)</u>	<u>(\$ 1,365,379)</u>	<u>(\$ 1,901,728)</u>	<u>\$ 1,755,605</u>	<u>(\$ 510,919)</u>	<u>(\$ 657,042)</u>
<u>Noncash Transactions</u>								
<u>Capital and Related Financing Activities</u>								
Acquisition of Capital Assets	\$ 577,977	\$ 1,739,905	\$ 133,623	\$ 2,451,505	\$ 631,698	\$ 2,270,992	\$ 157,461	\$ 3,060,151
Increase in Accounts Payable		( 311,662)	( 91,930)	( 403,592)				
Cash Used for Acquisition of Capital Assets	<u>\$ 577,977</u>	<u>\$ 1,428,243</u>	<u>\$ 41,693</u>	<u>\$ 2,047,913</u>	<u>\$ 631,698</u>	<u>\$ 2,270,992</u>	<u>\$ 157,461</u>	<u>\$ 3,060,151</u>

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



North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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, 2010 and 2009

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 12. 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, 2010 and 2009

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, 2010, the Agency has debt related to capital assets of \$2,815,173.
- *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 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, 2010 and 2009

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, 2010 and 2009, fair value of the Agency'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, 2010 and 2009

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, 2010 and 2009 are as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total</u>
June 30, 2010	\$ 1,343,420	\$ 1,491,917	\$ 40,420	\$ 2,875,757
June 30, 2009	\$ 688,155	\$ 412,957	\$ 40,420	\$ 1,141,532

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, 2010, the recorded liability was \$248,004, and at June 30, 2009 was \$248,818. 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, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- O. Pension Plan - The District offers a defined contribution money purchase 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, 2010, the carrying amount of the District's deposits was \$4,265,223. The bank's balances were \$4,213,595. Of this amount, \$4,011,515 was covered by federal depository insurance. The remaining \$199,130 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, 2009, the carrying amount of the District's deposits was \$4,401,224. The bank's balances were \$4,409,427. Of this amount, \$3,652,659 was covered by federal depository insurance. The remaining \$403,682 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, 2010 and 2009

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 Agency'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 Agency is a voluntary participant in the investment pool.

Structured notes and asset-backed securities comprised 2.64% and 13.23% of LAIF's total portfolio for all investors as of June 30, 2010 and 2009, respectively. Fair value of a pool share was 1.001643776 and 1.001364207 for those same periods. The cost value of a pool share was constant at \$1.00.

	2010		2009	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	\$ 4,956,258	\$ 4,964,405	\$ 4,375,754	\$ 4,381,723

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, 2010 and 2009

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

<u>June 30, 2010</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	\$	\$	\$ 696,073		
Other Governmental Entities	602,500				
Total	<u>\$ 602,500</u>	<u>\$ 0</u>	<u>\$ 696,073</u>	<u>\$ 1,298,573</u>	<u>\$ 1,299,048</u>
<u>June 30, 2009</u>					
U.S. Government Securities	\$	\$	\$ 848,144		
Other Governmental Entities	602,500				
Total	<u>\$ 602,500</u>	<u>\$ 0</u>	<u>\$ 848,144</u>	<u>\$ 1,450,644</u>	<u>\$ 1,433,334</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, 2010 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
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, 2010 and 2009

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

Investments of the District subject to interest rate risk on June 30, 2009 are summarized as follows:

	Cost	Market Value	Maturity
Certificates of Deposit	\$ 186,000	\$ 186,148	7/2009
Certificates of Deposit	97,000	97,334	8/2009
Certificates of Deposit	97,000	97,960	11/2009
Certificates of Deposit	194,000	197,371	2/2010
Certificates of Deposit	97,000	98,790	3/2010
Certificates of Deposit	97,000	99,066	5/2010
Certificates of Deposit	97,000	99,679	8/2010
Certificates of Deposit	97,000	99,831	9/2010
Certificates of Deposit	185,000	186,272	1/2011
Certificates of Deposit	87,911	91,763	2/2011
Certificates of Deposit	97,000	99,506	3/2011
U.S. Government Securities	401,005	400,876	7/2011
Certificates of Deposit	97,000	96,583	8/2011
Certificates of Deposit	97,000	100,463	9/2011
Certificates of Deposit	97,000	97,040	1/2012
Certificates of Deposit	194,000	194,094	2/2012
Certificates of Deposit	388,000	388,054	3/2012
Certificates of Deposit	383,000	383,375	5/2012
Certificates of Deposit	97,000	96,677	2/2013
Certificates of Deposit	97,000	95,970	3/2013
Certificates of Deposit	73,000	73,085	4/2013
Certificates of Deposit	97,000	96,440	5/2013
Certificates of Deposit	194,000	192,862	1/2014
U.S. Government Securities	410,000	410,959	2/2014
Certificates of Deposit	97,000	96,364	2/2014
Weighted average maturity			11/2011

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2010</u>	<u>2009</u>
Cash Deposits	\$ 4,006,757	\$ 4,401,224
LAIF	4,956,258	4,375,754
Investments	<u>1,298,573</u>	<u>1,450,644</u>
	<u>\$ 10,261,588</u>	<u>\$ 10,227,622</u>
 <u>Cash and Investments</u>		
<u>Classified in the Balance Sheet:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 8,631,778	\$ 8,226,876
Restricted	534,625	661,995
Restricted (Book Overdraft)	<u>( 203,388)</u>	<u>( 111,893)</u>
	<u>\$ 8,963,015</u>	<u>\$ 8,776,978</u>
Investments:		
Unrestricted	\$ 696,073	\$ 848,144
Restricted	<u>602,500</u>	<u>602,500</u>
	<u>\$ 1,298,573</u>	<u>\$ 1,450,644</u>
	<u>\$ 10,261,588</u>	<u>\$ 10,227,622</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 3 ACCOUNTS RECEIVABLE:

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

	<u>2010</u>	<u>2009</u>
Service Charges	\$ 404,409	\$ 175,753
Taxes, Net of Allowance for Doubtful Accounts of \$267,995 and \$0 for 2010 and 2009, Respectively	<u>100,755</u>	<u>198,790</u>
	<u>\$ 505,164</u>	<u>\$ 374,543</u>

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

	<u>2010</u>	<u>2009</u>
Interest	\$ 7,876	\$ 7,876
Grants	<u>412,365</u>	<u>243,451</u>
	<u>\$ 420,241</u>	<u>\$ 251,327</u>

North Tahoe Public Utility District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

NOTE 4 RESTRICTED ASSETS & LIABILITIES:

Restricted assets at June 30, 2010 are identified by use as follows:

	Sewer	Water	Recreation		Total
	Construction Reserves	Construction Reserves	Construction Reserves	Tree Fund Children's Fund	
<u>Restricted Assets:</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
 Total Restricted Assets	 <u>\$ 214,706</u>	 <u>\$ 1,055,563</u>	 <u>\$ 292,097</u>	 <u>\$ 0</u> <u>\$ 0</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
 Total Restricted Liabilities	 <u>\$ 129,540</u>	 <u>\$ 379,323</u>	 <u>\$ 207,466</u>	 <u>\$ 0</u> <u>\$ 0</u>		 <u>\$ 716,329</u>

Restricted assets at June 30, 2009 are identified by use as follows:

	Sewer	Water	Recreation		Total	
	Construction Reserves	Construction Reserves	Construction Reserves	Tree Fund Children's Fund		
<u>Restricted Assets:</u>						
Cash and Cash Equivalents	\$ 632,184	\$ 29,811	(\$ 8,092)	\$ 326	\$ 7,766	\$ 661,995
Investments		602,500				602,500
Accounts Receivable	56,582	7,876	186,869			251,327
Deposits and Prepaid Expenses			5,000			5,000
 Total Restricted Assets	 <u>\$ 688,766</u>	 <u>\$ 640,187</u>	 <u>\$ 183,777</u>	 <u>\$ 326</u> <u>\$ 7,766</u>		 <u>\$ 1,520,822</u>

Current Liabilities (Payable from Restricted Assets):

Cash and Cash Equivalents (Book Overdraft)	\$	\$	\$ 111,893	\$	\$	\$ 111,893
Accounts Payable	68,723	67,661	4,183			140,567
 Total Restricted Liabilities	 <u>\$ 68,723</u>	 <u>\$ 67,661</u>	 <u>\$ 116,076</u>	 <u>\$ 0</u> <u>\$ 0</u>		 <u>\$ 252,460</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 5 PENSION PLAN:

The District has 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 contributes to this plan.

Eligibility - All employees are eligible after 1000 hours of employment and if they are at least 21 years of age.

Contributions - The District paid a required contribution of 8.163% of the employees' base rate of pay and the District contributed 4.082% of the employees' base rate of pay through December 31, 2009. Starting January 1, 2010, the District pays a required contribution of 7% of the employees' base rate of pay and the District contributes 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, 2010 and 2009 was \$2,937,481 and \$2,866,384, respectively, of which \$2,403,294 and \$2,222,254 was eligible for pension contributions. Total pension contributions for the fiscal years ended June 30, 2010 and 2009 were \$326,908 and \$296,327, respectively.

During the fiscal years ended June 30, 2010 and 2009, the pension plan had not invested in any of the District's securities nor did it loan any monies to the District.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 6 CAPITAL ASSETS:

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

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<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 \$264,451 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	240,146	1,651,356	( 220,960)	1,670,542
Total Capital Assets not being Depreciated	\$ 1,020,193	\$ 1,651,356	(\$ 220,960)	\$ 2,450,589
<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	\$ 20,392,950	\$ 309,509	\$	\$ 20,702,459
<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	\$ 8,636,689	\$ 651,525	\$	\$ 9,288,214
Net Capital Assets	\$ 12,776,454	\$ 1,309,340	(\$ 220,960)	\$ 13,864,834

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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	422,658	186,063	( 349,270)	259,451
 Total Capital Assets not being Depreciated	 \$ 7,447,658	 \$ 186,063	 (\$ 349,270)	 \$ 7,284,451
 <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	135,028			135,028
 Total Capital Assets being Depreciated	 \$ 13,522,922	 \$ 29,584	 \$ 0	 \$ 13,552,506
 <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	131,208	2,035		133,243
 Total Accumulated Depreciation	 \$ 5,756,632	 \$ 447,025	 \$ 0	 \$ 6,203,657
 Net Capital Assets	 \$ 15,213,948	 (\$ 231,378)	 (\$ 349,270)	 \$ 14,633,300
 <u>Total of Net Assets:</u>				
Sewer Department				\$ 15,398,710
Water Department				13,864,834
Recreation Department				14,633,300
				<u>\$ 43,896,844</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2009:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 905,912	\$	\$	\$ 905,912
Construction In Progress	370,557	631,697	( 813,333)	188,921
Total Capital Assets not being Depreciated	\$ 1,276,469	\$ 631,697	(\$ 813,333)	\$ 1,094,833
<u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 1,968,229	\$ 16,689	\$	\$ 1,984,918
Sewage System	26,229,341	647,230		26,876,571
Vehicles & Equipment	4,213,319	108,295		4,321,614
Furniture & Office Equipment	631,446	41,120		672,566
Total Capital Assets being Depreciated	\$ 33,042,335	\$ 813,334	\$ 0	\$ 33,855,669
<u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 901,596	\$ 49,623	\$	\$ 951,219
Sewage System	13,545,254	601,198		14,146,452
Vehicles & Equipment	3,373,699	193,470		3,567,169
Furniture & Office Equipment	537,419	36,855		574,274
Total Accumulated Depreciation	\$ 18,357,968	\$ 881,146	\$ 0	\$ 19,239,114
Net Capital Assets	\$ 15,960,836	\$ 563,885	(\$ 813,333)	\$ 15,711,388

The above amounts include \$497,192 of cost and \$193,424 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	\$ 21,610	\$ 758,437	\$	\$ 780,047
Construction In Progress	191,200	2,270,992	( 2,222,046)	240,146
Total Capital Assets not being Depreciated	\$ 212,810	\$ 3,029,429	(\$ 2,222,046)	\$ 1,020,193
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 18,768,438	\$ 1,463,609	\$	\$ 20,232,047
Vehicles & Equipment	124,984			124,984
Furniture & Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	\$ 18,929,341	\$ 1,463,609	\$ 0	\$ 20,392,950
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 7,903,589	\$ 596,367	\$	\$ 8,499,956
Vehicles & Equipment	120,921	1,162		122,083
Furniture & Office Equipment	10,518	4,132		14,650
Total Accumulated Depreciation	\$ 8,035,028	\$ 601,661	\$ 0	\$ 8,636,689
Net Capital Assets	\$ 11,107,123	\$ 3,891,377	(\$ 2,222,046)	\$ 12,776,454



North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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	265,197	157,461		422,658
Total Capital Assets not being Depreciated	<u>\$ 7,290,197</u>	<u>\$ 157,461</u>	<u>\$ 0</u>	<u>\$ 7,447,658</u>
<u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 12,686,912	\$	\$	\$ 12,686,912
Vehicles & Equipment	700,982			700,982
Furniture & Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	<u>\$ 13,522,922</u>	<u>\$</u>	<u>\$ 0</u>	<u>\$ 13,522,922</u>
<u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 3,062,971	\$ 448,109	\$	\$ 3,511,080
Vehicles & Equipment	600,134	20,093		620,227
Land Improvements	1,494,117			1,494,117
Furniture & Office Equipment	129,337	1,871		131,208
Total Accumulated Depreciation	<u>\$ 5,286,559</u>	<u>\$ 470,073</u>	<u>\$ 0</u>	<u>\$ 5,756,632</u>
Net Capital Assets	<u>\$ 15,526,560</u>	<u>(\$ 312,612)</u>	<u>\$ 0</u>	<u>\$ 15,213,948</u>
<u>Total of Net Assets:</u>				
Sewer Department				\$ 15,711,388
Water Department				12,776,454
Recreation Department				15,213,948
				<u>\$ 43,701,790</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 revenue bonds 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, 2010					
Revenue Bonds	<u>\$ 3,185,000</u>	<u>\$ 0</u>	<u>(\$ 605,000)</u>	<u>\$ 2,580,000</u>	<u>\$ 615,000</u>
June 30, 2009					
Revenue Bonds	<u>\$ 3,770,000</u>	<u>\$ 0</u>	<u>(\$ 585,000)</u>	<u>\$ 3,185,000</u>	<u>\$ 605,000</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 7 LONG-TERM DEBT (Continued):

Future annual principal payments range from \$615,000 to 675,000 with interest rates of 2.95% to 3.35%, beginning February 1, 2010. Final payment is due February 1, 2014.

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

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

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

B. 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. \$ 135,503

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. 99,670  
\$ 235,173

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

North Tahoe Public Utility District  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 7 LONG-TERM DEBT (Continued):

C. Summary of Long Term Debt:

Total Debt

Certificates of Participation	\$ 2,580,000
Capital Lease Obligations	<u>235,173</u>
Total Debt	<u><u>\$ 2,815,173</u></u>

Debt Service Requirements:

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

June 30	Capital Lease Obligations	Certificates of Participation	Total Principal	Interest	Total Debt Service
2011	\$ 74,863	\$ 615,000	\$ 689,863	\$ 91,782	\$ 781,645
2012	78,337	635,000	713,337	70,166	783,503
2013	81,973	655,000	736,973	46,845	783,818
2014	<u>        </u>	<u>675,000</u>	<u>675,000</u>	<u>22,613</u>	<u>697,613</u>
Total Debt	\$ 235,173	\$ 2,580,000	\$ 2,815,173	\$ 231,406	\$ 3,046,579
Less: Current Portion	( 74,863)	( 615,000)	( 689,863)	( 91,782)	( 781,645)
Total Long Term Debt, Net of Current Portion	<u>\$ 160,310</u>	<u>\$ 1,965,000</u>	<u>\$ 2,125,310</u>	<u>\$ 139,624</u>	<u>\$ 2,264,934</u>

NOTE 8 LITIGATION:

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

NOTE 9 CONSTRUCTION COMMITMENTS:

As of June 30, 2010, the District had entered into design and construction commitments totaling \$4,972,489, all of which had been earned, leaving a remaining commitment of \$4,210,652. As of June 30, 2009, the District had entered into design and construction commitments totaling \$721,515, all of which had been earned, leaving a remaining commitment of \$0.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 10 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 11 OPERATING LEASES:

The District leases office equipment. The terms of the leases run through the fiscal year ended June 30, 2012, with both monthly and quarterly payments.

Minimum annual lease payments are as follows:

Year Ending June 30,	
2011	\$ 26,184
2012	26,184
2013	26,184
2014	<u>26,183</u>
Total	<u>\$ 104,735</u>

Payments under the lease agreements during the fiscal year ended June 30, 2010 were \$38,952.

NOTE 12 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 this entity. During the years ended June 30, 2010 and 2009, the District paid the Special District Risk Management Authority \$214,936 and \$194,150, respectively, for workers' compensation insurance coverage.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

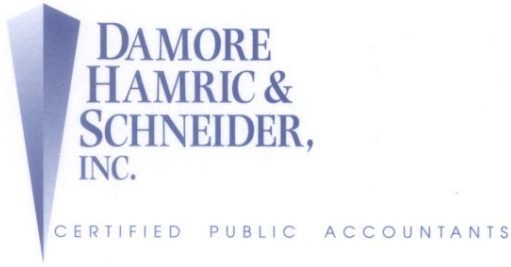
NOTE 13 SUBSEQUENT EVENTS:

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. Funding occurred on September 15, 2010.

In September 2010, the District entered into an agreement with the California Public Employees' Retirement System (CalPERS), to provide retirement benefits to substantially all of its employees. The new plan is a defined benefit plan, and will replace the District's defined contribution plan.

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 is currently investigating and determining the extent, cause and responsibility associated with the event and is unable to estimate any financial impact to the District at this time.

**SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of  
North Tahoe Public Utility District

Our report on our audit of the basic financial statements of the North Tahoe Public Utility District appears on Page 4. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is 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.

*Damore, Hamric & Schneider Inc*  
DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

January 24, 2011

## COMPARISON OF BUDGET TO ACTUAL

June 30, 2010 and 2009

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Favorable (Unfavorable) Variance With Budget
<u>Revenues:</u>				
Service Charges	\$ 5,334,502	\$ 5,334,502	\$ 5,440,884	\$ 106,382
Recreation Events & Programs	933,509	1,010,509	883,745	( 126,764)
Property Taxes/CFD 94-1	3,873,000	3,873,000	3,805,595	( 67,405)
Investment Income	281,000	281,000	241,138	( 39,862)
Grants	500,000	500,000	470,519	( 29,481)
Marketing Fee			15,000	15,000
Miscellaneous/Gain on Property Sale			25,404	25,404
Capital Contributions - Connection Fees	57,268	57,268	3,254	( 54,014)
	<u>\$ 10,979,279</u>	<u>\$ 11,056,279</u>	<u>\$ 10,885,539</u>	<u>\$ (170,740)</u>
<u>Expenses:</u>				
Direct Operating Expenses	\$ 6,535,854	\$ 6,657,854	\$ 5,543,092	\$ 1,114,762
Administration & General	2,175,700	2,175,700	2,480,805	( 305,105)
Depreciation	1,828,656	1,828,656	1,989,205	( 160,549)
Interest Expense	116,000	116,000	90,929	25,071
Fiscal Agent Fees	75,440	75,440	54,789	20,651
	<u>\$ 10,731,650</u>	<u>\$ 10,853,650</u>	<u>\$ 10,158,820</u>	<u>\$ 694,830</u>
Total Favorable Variance	<u>\$ 247,629</u>	<u>\$ 202,629</u>	<u>\$ 726,719</u>	<u>\$ 524,090</u>