

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, 2008 and 2007

North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2008 and 2007

BOARD OF DIRECTORS

S. Lane Lewis, President

John Bergman, Vice President

Frank Mooney, Treasurer

Sue Daniels, Director

Tim Ferrell, Director

MANAGEMENT

Curtis Aaron, General Manager/Chief Executive Officer

Lee Schegg, Public Works Director
Assistant General Manager

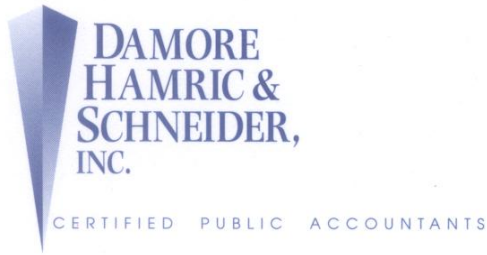
Larry Marple, Chief Financial Officer

North Tahoe Public Utility District

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June 30, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of North Tahoe Public Utility District as of and for the years ended June 30, 2008 and 2007, 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, 2008 and 2007, 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 ten 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 29, 2009

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

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, 2008. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT

The District's Current Assets increased \$410,750 from \$9,819,463 to \$10,230,213. Net Capital Assets rose from \$41,406,991 to \$42,594,519, an increase of \$1,187,528. The District's Total Assets increased by \$1,674,417 to \$53,880,502. Current Liabilities payable from Current Assets decreased by \$424,011 to \$1,449,407. Current Liabilities payable from Restricted Assets increased from \$199,240 to \$455,800. Long Term Liabilities decreased by \$490,315 to \$3,494,977 decreasing by the principal payment made on Water department's Certificate of Participation and increasing due to the lease of a truck in the amount of \$159,803. Net Assets Invested in Capital Assets increased \$1,639,756. Restricted Net Assets decreased by \$227,637 while Unrestricted Net Assets increased by \$920,064. These improvements to the District's Net Assets are attributed to the District's implementation of new fees and increased fees in the Sewer and Water Departments and grant revenue in the Recreation Department.

FINANCIAL HIGHLIGHTS - SEWER FUND

Current Unrestricted Assets increased from \$6,646,788 to \$7,055,420. Restricted Assets decreased from \$59,528 to \$39,710. Net Capital Assets increased from \$15,660,625 to \$15,960,836 as additions to Capital Assets exceeded increases in Accumulated Depreciation by \$300,211. The Beaver Street Sewer Line added \$837,726 to our sewer system. Current Liabilities Payable from Current Assets decreased from \$880,438 to \$644,388. Noncurrent Liabilities increased from \$215,292 to \$309,977. Unrestricted Net Assets increased in each of two categories. Those Designated for Board Reserves increased from \$197,997 to \$594,322, while those which are Undesignated increased from \$5,605,687 to \$5,881,828. Total Net Assets grew by \$813,651. Operating Revenues increased from \$851,011 to \$1,270,567 due to a 6% rate increase on base rates and the new System Replacement Fee and the new Federal and State Mandate Fee. These new fees are earmarked for specific expenditures. Total Operating Expenses were lower than 2007 by \$75,756. Property Tax revenue of \$3,494,196 exceeded the prior year by \$170,484. Investment Income was lower by \$80,079. The total Change in Net Assets for 2008 was \$813,652 a \$580,223 improvement over 2007.

FINANCIAL HIGHLIGHTS - WATER FUND

Current Assets increased by only \$7,267 bringing the total to \$2,626,412. Restricted Assets decreased by \$150,606. Net Capital Assets increased by \$72,886 due to additions of \$642,459 exceeding an increase in accumulated depreciation of \$569,573. Current Liabilities (Payable from Current Assets) decreased from \$840,095 to \$659,213. Current Liabilities (Payable from Restricted Assets) decreased by \$102,759. Long-Term Liabilities decreased by \$585,000 due to the annual principal payment on the Certificates of Participation. Unrestricted Net Assets Total Net Assets increased by \$245,365 bringing the new amount to \$2,599,415. Operating Revenues grew by \$590,006 principally due to new System Replacement Fee.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Total Operating Expenses were \$181,726 higher than in 2007. The Change in Net Assets for 2008 of \$798,189 is \$346,043 more than 2007.

FINANCIAL HIGHLIGHTS - RECREATION FUND

Current Assets changed only slightly bringing the new amount to \$548,381. Restricted Assets increased \$246,563 to \$394,623. Capital Assets Net of Accumulated Depreciation increased \$814,431 to \$15,526,560. This increase in Capital Assets included the new Soccer Field and Bear proof garbage containers and Disk Golf Course. Current Liabilities (Payable from Restricted Assets) increased \$342,580 due to a book overdraft. Unrestricted Net Assets improved slightly ending up at \$402,575. Total Net Asset increased from \$15,231,084 to \$15,951,428 a \$720,344 improvement. Recreation Events and Program Revenues were \$33,459 lower than they were in 2007 coming in at \$1,414,268. Total Operating Expenses decreased by \$88,788. The Recreation assessment called Measure C brought in \$489,772, \$13,518 more than 2007. Grant revenue was significantly higher in the year with \$1,185,395 compared to \$41,694 in 2007. The Change in Net Assets improved from a negative \$211,114 to a positive \$720,345.

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.

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.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT

The most common financial question posed to the District is "How did we do financially during 2007/2008?" 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.

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 6/30/2008	FYE 6/30/2007	Change in Dollars	Percent Change
Current Assets	\$ 10,230,213	\$ 9,819,463	\$ 410,750	4%
Restricted Assets	1,055,770	979,631	76,139	8%
Net Capital Assets	<u>42,594,519</u>	<u>41,406,991</u>	<u>1,187,528</u>	3%
 Total Assets	 <u>\$ 53,880,502</u>	 \$ 52,206,085	 \$ 1,674,417	3%
Current Liabilities Unrestricted	\$ 1,449,407	\$ 1,873,421	(\$ 424,014)	-23%
Current Liabilities Restricted	455,800	199,240	256,560	129%
Long Term Liabilities	<u>3,494,977</u>	<u>3,985,292</u>	(490,315)	-12%
 Total Liabilities	 <u>\$ 5,400,184</u>	 \$ 6,057,953	 (\$ 657,769)	-11%
Invested in Capital Assets, Net of Related Debt	\$ 38,449,424	\$ 36,809,668	\$ 1,639,756	4%
Restricted for Capital Outlay	(32,012)	153,895	(185,907)	-121%
Restricted for Debt Service	573,136	620,983	(47,847)	-8%
Restricted for Trusteed Funds	11,630	5,513	6,117	111%
Unrestricted (Designated for Board Reserves)	1,971,908	940,797	1,031,111	110%
Unrestricted (Undesignated)	<u>7,506,232</u>	<u>7,617,276</u>	(111,044)	-1%
 Total Net Assets	 <u>\$ 48,480,318</u>	 \$ 46,148,132	 \$ 2,332,186	5%

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

As can be seen from the table above, Net Assets grew from \$46,148,135 to \$48,480,318. The makeup of Net Assets changed as amounts Invested in Capital Assets increased by 4%. Restricted Net Assets decreased from \$780,391 to \$552,754 and Unrestricted Net Assets increased from \$8,558,076 to \$9,478,140 in 2008 an 11 % increase.

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

	FYE 6/30/2008	FYE 6/30/2007	Change in Dollars	Percent Change
Operating Revenues	\$ 5,865,739	\$ 4,889,636	\$ 976,103	20%
Operating Expenses	<u>8,977,400</u>	<u>8,960,218</u>	<u>17,182</u>	0%
Net Operating Loss	(\$ 3,111,661)	(\$ 4,070,582)	\$ 958,921	- 24%
Property Tax Revenues	\$ 3,983,968	\$ 3,799,966	\$ 184,002	5%
Other Non-Operating Revenues & Expenses	<u>1,395,796</u>	<u>593,807</u>	<u>801,989</u>	135%
Non-Operating Revenues & Expenses	<u>\$ 5,379,764</u>	<u>\$ 4,393,773</u>	<u>\$ 985,991</u>	22%
Income Before Capital Contributions	\$ 2,268,103	\$ 323,191	\$ 1,944,912	602%
Capital Contributions/Connection Fees	<u>64,083</u>	<u>151,270</u>	<u>(87,187)</u>	- 58%
Change in Net Assets	\$ 2,332,186	\$ 474,461	\$ 1,857,725	392%
Beginning Net Assets	<u>46,148,132</u>	<u>45,673,671</u>	<u>474,461</u>	1%
Ending Net Assets	<u>\$ 48,480,318</u>	<u>\$ 46,148,132</u>	<u>\$ 2,332,186</u>	5%

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 2008 was greater in the FY 2007 due to the aforementioned new Sewer and Water fees and increases in the existing Sewer and Water rates as well as Non-Operating Grant revenue in the Recreation Funds. Total Operating Expenses increased by \$17,182 or .2%. The increase in Non-Operating Revenue was due to an increase in Grant revenues which rose from \$45,023 in 2007 to \$1,204,489 in 2008. Another significant difference between the two years is the Gain on Property Sale that occurred in 2007 in the amount of \$264,776. Capital Contributions – Connection Fees dropped from \$151,270 in 2007 to \$64,083 in 2008.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

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 remains in effect the entire year and is not revised.

A 2008 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Operating Revenues	\$ 5,096,433	\$ 5,865,739	\$ 769,306
Operating Expenses	<u>7,112,403</u>	<u>8,977,400</u>	(1,864,997)
Net Operating Loss	(\$ 2,015,970)	(\$ 3,111,661)	(\$ 1,095,691)
Property Tax Revenues	\$ 3,663,500	\$ 3,983,968	\$ 320,468
Other Non-Operating Revenues & Expenses	(516,240)	<u>1,395,796</u>	<u>1,912,036</u>
Non-Operating Revenues & Expenses	<u>\$ 3,147,260</u>	<u>\$ 5,379,764</u>	(\$ 2,232,504)
Income Before Capital Contributions	\$ 1,131,290	\$ 2,268,103	\$ 1,136,813
Capital Contributions/Connection Fees	<u>\$ 125,000</u>	<u>\$ 64,083</u>	(\$ 60,917)
Change in Net Assets	<u><u>\$ 1,256,290</u></u>	<u><u>\$ 2,332,186</u></u>	<u><u>\$ 1,075,896</u></u>

Operating Revenues of \$5,865,739 exceeded the Budget of \$5,096,433 creating a favorable variance of \$769,306. That was due to an increase in the Sewer and Water fees and the implementation of new System Replacement Fees. Operating Expenses exceeded budget by \$1,864,997 due primarily to Depreciation Expense which the District did not budget. Property Tax Revenues (including Recreation's Measure C Revenue) of \$3,983,968 exceeded budget by \$320,468. Other Non-Operating Revenues and Expenses ended the year with \$1,395,796 net revenue versus a budget of \$516,240 net expense for a favorable variance of \$1,912,036. The three largest components of the variance are 1) Grant revenue which accounts for \$1,033,789 of the favorable variance, 2) Interest expense is responsible for \$577,752, and 3) Investment Income makes up \$275,232 of the difference.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

CAPITAL ASSETS

Table A-4
Condensed Statement of Fixed Assets

	<u>FYE 6/30/2008</u>	<u>FYE 6/30/2007</u>	<u>Change in Dollars</u>	<u>Percent Change</u>
Fixed Assets	\$ 73,447,120	\$ 70,530,529	\$ 2,916,591	4%
Construction in Process	<u>826,954</u>	<u>763,634</u>	<u>63,320</u>	8%
	<u>\$ 74,274,074</u>	<u>\$ 71,294,163</u>	<u>\$ 2,979,911</u>	4%
Accumulated Depreciation	<u>(31,679,555)</u>	<u>(29,887,172)</u>	<u>(1,792,383)</u>	6%
Net Capital Assets	<u>\$ 42,594,519</u>	<u>\$ 41,406,991</u>	<u>\$ 1,187,528</u>	3%

At the end of fiscal year 2008, the District had \$42,594,519 invested in capital assets as shown in Table A-4. Fixed Assets grew by \$2,916,591. This increase included completed projects such as the Beaver Street Sewer Line Replacement project, the Beaver Street Water Line Replacement project, Recreation's Soccer Field, Tahoe Vista Recreation Area Phase II, Bear [proof] Boxes, Disk Golf Course, and a closed circuit television truck. Construction in Process increased by \$63,320. Accumulated Depreciation grew by \$1,792,383.

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.

North Tahoe Public Utility District

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

<u>Assets:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2008</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2007</u>
Current Assets:								
Cash and Cash Equivalents	\$ 4,633,942	\$ 2,494,702	\$ 420,373	\$ 7,549,017	\$ 2,390,963	\$ 2,485,054	\$ 443,287	\$ 5,319,304
Investments	1,949,991			1,949,991	3,784,318			3,784,318
Accounts Receivable	246,339	131,710	90,367	468,416	258,202	134,091	80,215	472,508
Inventory	223,427		1,550	224,977	200,539		1,783	202,322
Deposits and Prepaid Expenses	1,721		36,091	37,812	12,766		28,245	41,011
Total Current Assets	<u>\$ 7,055,420</u>	<u>\$ 2,626,412</u>	<u>\$ 548,381</u>	<u>\$ 10,230,213</u>	<u>\$ 6,646,788</u>	<u>\$ 2,619,145</u>	<u>\$ 553,530</u>	<u>\$ 9,819,463</u>
Restricted Assets:								
Cash and Cash Equivalents	\$ 20,625	\$ 11,092	\$	\$ 31,717	\$ 38,013	\$ 161,778	\$ 86,914	\$ 286,705
Investments		602,500		602,500		602,500		602,500
Accounts Receivable	19,085	7,845	389,623	416,553	21,515	7,765	61,146	90,426
Deposits and Prepaid Expenses			5,000	5,000				
Total Restricted Assets	<u>\$ 39,710</u>	<u>\$ 621,437</u>	<u>\$ 394,623</u>	<u>\$ 1,055,770</u>	<u>\$ 59,528</u>	<u>\$ 772,043</u>	<u>\$ 148,060</u>	<u>\$ 979,631</u>
Noncurrent Assets:								
Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,960,836</u>	<u>\$ 11,107,123</u>	<u>\$ 15,526,560</u>	<u>\$ 42,594,519</u>	<u>\$ 15,660,625</u>	<u>\$ 11,034,237</u>	<u>\$ 14,712,129</u>	<u>\$ 41,406,991</u>
Total Assets	<u>\$ 23,055,966</u>	<u>\$ 14,354,972</u>	<u>\$ 16,469,564</u>	<u>\$ 53,880,502</u>	<u>\$ 22,366,941</u>	<u>\$ 14,425,425</u>	<u>\$ 15,413,719</u>	<u>\$ 52,206,085</u>

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

North Tahoe Public Utility District

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

<u>Liabilities:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2008</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2007</u>
Current Liabilities (Payable from Current Assets):								
Accounts Payable	\$ 96,404	\$ 28,005	\$ 81,711	\$ 206,120	\$ 311,630	\$ 214,140	\$ 84,851	\$ 610,621
Accrued Liabilities	482,866	46,208	64,095	593,169	531,778	50,956	68,035	650,769
Current Portion of Long-Term Debt	65,118	585,000		650,118	37,031	575,000		612,031
Total Current Liabilities (Payable from Current Assets)	<u>\$ 644,388</u>	<u>\$ 659,213</u>	<u>\$ 145,806</u>	<u>\$ 1,449,407</u>	<u>\$ 880,439</u>	<u>\$ 840,096</u>	<u>\$ 152,886</u>	<u>\$ 1,873,421</u>
Current Liabilities (Payable from Restricted Assets):								
Cash and Cash Equivalents (Book Overdraft)	\$	\$	\$ 359,436	\$ 359,436	\$	\$	\$	\$
Accounts Payable	35,169	48,301	12,894	96,364	18,430	151,060	29,750	199,240
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 35,169</u>	<u>\$ 48,301</u>	<u>\$ 372,330</u>	<u>\$ 455,800</u>	<u>\$ 18,430</u>	<u>\$ 151,060</u>	<u>\$ 29,750</u>	<u>\$ 199,240</u>
Total Current Liabilities	<u>\$ 679,557</u>	<u>\$ 707,514</u>	<u>\$ 518,136</u>	<u>\$ 1,905,207</u>	<u>\$ 898,869</u>	<u>\$ 991,156</u>	<u>\$ 182,636</u>	<u>\$ 2,072,661</u>
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	<u>\$ 309,977</u>	<u>\$ 3,185,000</u>	<u>\$ 0</u>	<u>\$ 3,494,977</u>	<u>\$ 215,292</u>	<u>\$ 3,770,000</u>	<u>\$ 0</u>	<u>\$ 3,985,292</u>
Total Liabilities	<u>\$ 989,534</u>	<u>\$ 3,892,514</u>	<u>\$ 518,136</u>	<u>\$ 5,400,184</u>	<u>\$ 1,114,161</u>	<u>\$ 4,761,156</u>	<u>\$ 182,636</u>	<u>\$ 6,057,953</u>
<u>Net Assets:</u>								
Invested in Capital Assets, Net of Related Debt	\$ 15,585,741	\$ 7,337,123	\$ 15,526,560	\$ 38,449,424	\$ 15,408,302	\$ 6,689,237	\$ 14,712,129	\$ 36,809,668
Restricted for:								
Capital Outlay	4,541	(47,216)	10,663	(32,012)	41,098		112,797	153,895
Debt Service		573,136		573,136		620,983		620,983
Trusteed Funds			11,630	11,630			5,513	5,513
Unrestricted								
Designated for Board Reserves	594,322	1,337,166	40,420	1,971,908	197,994	702,383	40,420	940,797
Undesignated	<u>5,881,828</u>	<u>1,262,249</u>	<u>362,155</u>	<u>7,506,232</u>	<u>5,605,386</u>	<u>1,651,666</u>	<u>360,224</u>	<u>7,617,276</u>
Total Net Assets	<u>\$ 22,066,432</u>	<u>\$ 10,462,458</u>	<u>\$ 15,951,428</u>	<u>\$ 48,480,318</u>	<u>\$ 21,252,780</u>	<u>\$ 9,664,269</u>	<u>\$ 15,231,083</u>	<u>\$ 46,148,132</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, 2008 and 2007

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2008</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2007</u>
<u>Operating Revenues:</u>								
Service Charges	\$ 1,270,567	\$ 3,180,904		\$ 4,451,471	\$ 851,011	\$ 2,590,898		\$ 3,441,909
Recreation Events & Programs			1,414,268	1,414,268			1,447,727	1,447,727
Total Operating Revenues	<u>\$ 1,270,567</u>	<u>\$ 3,180,904</u>	<u>\$ 1,414,268</u>	<u>\$ 5,865,739</u>	<u>\$ 851,011</u>	<u>\$ 2,590,898</u>	<u>\$ 1,447,727</u>	<u>\$ 4,889,636</u>
<u>Operating Expenses:</u>								
Direct Operating Expenses	\$ 1,777,986	\$ 1,567,074	\$ 1,853,374	\$ 5,198,434	\$ 1,997,198	\$ 1,418,477	\$ 2,071,927	\$ 5,487,602
Administration & General	1,574,019	274,000	122,000	1,970,019	1,484,310	267,000	111,000	1,862,310
Depreciation	827,218	569,573	412,156	1,808,947	773,471	543,444	293,391	1,610,306
Total Operating Expenses	<u>\$ 4,179,223</u>	<u>\$ 2,410,647</u>	<u>\$ 2,387,530</u>	<u>\$ 8,977,400</u>	<u>\$ 4,254,979</u>	<u>\$ 2,228,921</u>	<u>\$ 2,476,318</u>	<u>\$ 8,960,218</u>
Operating Income/(Loss)	<u>(\$ 2,908,656)</u>	<u>\$ 770,257</u>	<u>(\$ 973,262)</u>	<u>(\$ 3,111,661)</u>	<u>(\$ 3,403,968)</u>	<u>\$ 361,977</u>	<u>(\$ 1,028,591)</u>	<u>(\$ 4,070,582)</u>
<u>Non-Operating Revenues/(Expenses):</u>								
Property Taxes/Measure C	\$ 3,494,196		\$ 489,772	\$ 3,983,968	\$ 3,323,712		\$ 476,254	\$ 3,799,966
Investment Income	222,049	104,083	9,100	335,232	302,128	100,446	24,518	427,092
Grants	19,094		1,185,395	1,204,489	3,329		41,694	45,023
Marketing Fee			15,000	15,000			15,000	15,000
Miscellaneous/Gain on Property Sale	17,929		2,224	20,153		881	264,776	265,657
Interest Expense		(118,224)	(2,964)	(121,188)		(110,228)		(110,228)
Fiscal Agent Fees	(51,570)	(1,400)	(4,920)	(57,890)	(42,572)	(1,400)	(4,765)	(48,737)
Total Non-Operating Revenue	<u>\$ 3,701,698</u>	<u>(\$ 15,541)</u>	<u>\$ 1,693,607</u>	<u>\$ 5,379,764</u>	<u>\$ 3,586,597</u>	<u>(\$ 10,301)</u>	<u>\$ 817,477</u>	<u>\$ 4,393,773</u>
Gain/(Loss) Before Contributions	\$ 793,042	\$ 754,716	\$ 720,345	\$ 2,268,103	\$ 182,629	\$ 351,676	(\$ 211,114)	\$ 323,191
Capital Contributions - Connection Fees	20,610	43,473		64,083	50,800	100,470		151,270
Change in Net Assets	\$ 813,652	\$ 798,189	\$ 720,345	\$ 2,332,186	\$ 233,429	\$ 452,146	(\$ 211,114)	\$ 474,461
Total Net Assets - Beginning	<u>21,252,780</u>	<u>9,664,269</u>	<u>15,231,083</u>	<u>46,148,132</u>	<u>21,019,351</u>	<u>9,212,123</u>	<u>15,442,197</u>	<u>45,673,671</u>
Total Net Assets - Ending	<u>\$ 22,066,432</u>	<u>\$ 10,462,458</u>	<u>\$ 15,951,428</u>	<u>\$ 48,480,318</u>	<u>\$ 21,252,780</u>	<u>\$ 9,664,269</u>	<u>\$ 15,231,083</u>	<u>\$ 46,148,132</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, 2008 and 2007

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2008</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2007</u>
<u>Cash Flows from Operating Activities:</u>								
Receipts from Customers	\$ 1,284,860	\$ 3,183,125	\$ 1,075,639	\$ 5,543,624	\$ 1,253,609	\$ 2,751,098	\$ 1,412,441	\$ 5,417,148
Paid to Suppliers for Goods & Services	(1,261,787)	(2,134,636)	(1,044,725)	(4,441,148)	(741,154)	(1,490,875)	(2,028,674)	(4,260,703)
Paid to Employees for Services	(2,349,460)		(607,762)	(2,957,222)	(2,331,633)		(619,516)	(2,951,149)
Net Cash Provided/(Used) by Operating Activities	<u>(\$ 2,326,387)</u>	<u>\$ 1,048,489</u>	<u>(\$ 576,848)</u>	<u>(\$ 1,854,746)</u>	<u>(\$ 1,819,178)</u>	<u>\$ 1,260,223</u>	<u>(\$ 1,235,749)</u>	<u>(\$ 1,794,704)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>								
Property Taxes Collected	\$ 3,494,196	\$	\$ 489,772	\$ 3,983,968	\$ 3,323,712	\$	\$ 476,254	\$ 3,799,966
Operating Grants Received	19,094		1,185,395	1,204,489	3,329		41,694	45,023
Transient Occupancy Tax			15,000	15,000			15,000	15,000
Other Non-Operating Revenues	<u>17,929</u>		<u>2,224</u>	<u>20,153</u>		<u>881</u>	<u>264,776</u>	<u>265,657</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 3,531,219</u>	<u>\$ 0</u>	<u>\$ 1,692,391</u>	<u>\$ 5,223,610</u>	<u>\$ 3,327,041</u>	<u>\$ 881</u>	<u>\$ 797,724</u>	<u>\$ 4,125,646</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>								
Acquisition of Capital Assets	(\$ 967,626)	(\$ 642,459)	(\$ 1,226,587)	(\$ 2,836,672)	(\$ 2,192,296)	(\$ 378,427)	(\$ 221,611)	(\$ 2,792,334)
Sale of Capital Assets							866,574	866,574
Cancellation of Capital Lease							(232,232)	(232,232)
Principal Paid on Bonds & Notes	(37,031)	(575,000)		(612,031)		(565,000)		(565,000)
Interest Paid on Bonds & Notes		(118,224)	(2,964)	(121,188)		(128,763)		(128,763)
Fiscal Agent Fees	(51,570)	(1,400)	(4,920)	(57,890)	(42,572)	(1,400)	(4,765)	(48,737)
Contributed Capital - Connection Fees	<u>20,610</u>	<u>43,473</u>		<u>64,083</u>	<u>50,800</u>	<u>100,470</u>		<u>151,270</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(\$ 1,035,617)</u>	<u>(\$ 1,293,610)</u>	<u>(\$ 1,234,471)</u>	<u>(\$ 3,563,698)</u>	<u>(\$ 2,184,068)</u>	<u>(\$ 973,120)</u>	<u>\$ 407,966</u>	<u>(\$ 2,749,222)</u>
<u>Cash Flows from Investing Activities:</u>								
Sale/(Purchase) of Investments	\$ 1,834,327	\$	\$	\$ 1,834,327	(\$ 135,460)	\$	\$	(\$ 135,460)
Interest on Investments	<u>222,049</u>	<u>104,083</u>	<u>9,100</u>	<u>335,232</u>	<u>302,128</u>	<u>118,981</u>	<u>24,518</u>	<u>445,627</u>
Net Cash Provided by Investing Activities	<u>\$ 2,056,376</u>	<u>\$ 104,083</u>	<u>\$ 9,100</u>	<u>\$ 2,169,559</u>	<u>\$ 166,668</u>	<u>\$ 118,981</u>	<u>\$ 24,518</u>	<u>\$ 310,167</u>
Net Increase (Decrease) in Cash	\$ 2,225,591	(\$ 141,038)	(\$ 109,828)	\$ 1,974,725	(\$ 509,537)	\$ 406,965	(\$ 5,541)	(\$ 108,113)

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, 2008 and 2007

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2008</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2007</u>
Balance Forward	\$ 2,225,591	(\$ 141,038)	(\$ 109,828)	\$ 1,974,725	(\$ 509,537)	\$ 406,965	(\$ 5,541)	(\$ 108,113)
Cash & Cash Equivalents, Beginning of Year	<u>2,428,976</u>	<u>2,646,832</u>	<u>530,201</u>	<u>5,606,009</u>	<u>2,938,513</u>	<u>2,239,867</u>	<u>535,742</u>	<u>5,714,122</u>
Cash & Cash Equivalents, End of Year	<u>\$ 4,654,567</u>	<u>\$ 2,505,794</u>	<u>\$ 420,373</u>	<u>\$ 7,580,734</u>	<u>\$ 2,428,976</u>	<u>\$ 2,646,832</u>	<u>\$ 530,201</u>	<u>\$ 5,606,009</u>
<u>Cash & Cash Equivalents as Presented on the Statement of Net Assets:</u>								
Current Assets: Cash and Cash Equivalents	\$ 4,633,942	\$ 2,494,702	\$ 420,373	\$ 7,549,017	\$ 2,390,963	\$ 2,485,054	\$ 443,287	\$ 5,319,304
Restricted Assets: Cash and Cash Equivalents	<u>20,625</u>	<u>11,092</u>	<u></u>	<u>31,717</u>	<u>38,013</u>	<u>161,778</u>	<u>86,914</u>	<u>286,705</u>
	<u>\$ 4,654,567</u>	<u>\$ 2,505,794</u>	<u>\$ 420,373</u>	<u>\$ 7,580,734</u>	<u>\$ 2,428,976</u>	<u>\$ 2,646,832</u>	<u>\$ 530,201</u>	<u>\$ 5,606,009</u>
<u>Reconciliation of Operating Income to Net</u>								
<u>Cash Provided/(Used) by Operating Activities:</u>								
Operating Income/(Loss)	(\$ 2,908,656)	\$ 770,257	(\$ 973,262)	(\$ 3,111,661)	(\$ 3,403,968)	\$ 361,977	(\$ 1,028,591)	(\$ 4,070,582)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	827,218	569,573	412,156	1,808,947	773,471	543,444	293,391	1,610,306
Changes in Certain Assets and Liabilities (Increase)/Decrease in:								
Accounts Receivable	14,293	2,301	(338,629)	(322,035)	351,797	59,693	(35,287)	376,203
Inventory	(22,888)		233	(22,655)	(30,885)		831	(30,054)
Deposits and Prepaid Expenses	11,045		(12,846)	(1,801)	55,034		(8,505)	46,529
Increase/(Decrease) in:								
Cash and Cash Equivalents (Book Overdraft)			359,436	359,436				
Accounts Payable	(198,487)	(288,894)	(19,996)	(507,377)	221,597	299,205	(483,714)	37,088
Accrued Liabilities	(48,912)	(4,748)	(3,940)	(57,600)	213,776	(4,096)	26,126	235,806
Net Cash Provided/(Used) by Operating Activities	<u>(\$ 2,326,387)</u>	<u>\$ 1,048,489</u>	<u>(\$ 576,848)</u>	<u>(\$ 1,854,746)</u>	<u>(\$ 1,819,178)</u>	<u>\$ 1,260,223</u>	<u>(\$ 1,235,749)</u>	<u>(\$ 1,794,704)</u>
<u>Noncash Transactions</u>								
<u>Capital and Related Financing Activities</u>								
Acquisition of Capital Assets	\$ 1,127,429	\$ 642,459	\$ 1,226,587	\$ 2,996,475	\$ 2,192,296	\$ 378,427	\$ 221,611	\$ 2,792,334
Less Assets Acquired through Capital Leases	<u>(159,803)</u>	<u></u>	<u></u>	<u>(159,803)</u>	<u></u>	<u></u>	<u></u>	<u></u>
Cash Used for Acquisition of Capital Assets	<u>\$ 967,626</u>	<u>\$ 642,459</u>	<u>\$ 1,226,587</u>	<u>\$ 2,836,672</u>	<u>\$ 2,192,296</u>	<u>\$ 378,427</u>	<u>\$ 221,611</u>	<u>\$ 2,792,334</u>

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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, 2008 and 2007

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- A. Organization & Description of the District (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 assts, 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, 2008 and 2007

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, 2008, the Agency has debt related to capital assets of \$4,145,095.
- *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, 2008 and 2007

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, 2008 and 2007, 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, 2008 and 2007

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 balance at June 30, 2008 was \$1,971,908 and at June 30, 2007 was \$940,797.
- 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, 2008, the recorded liability was \$256,911, and at June 30, 2007 was \$315,075. 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.
- 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.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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, 2008, the carrying amount of the District's deposits was \$2,545,974. The bank's balances were \$2,640,798. Of this amount, \$2,237,116 was covered by federal depository insurance. Of the remaining \$403,682, \$344,827 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 and \$58,855 was not collateralized.

At June 30, 2007, the carrying amount of the District's deposits was \$475,370. The bank's balances were \$469,579. Of this amount, \$241,073 was covered by federal depository insurance. The remaining \$228,506 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.

- 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.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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

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 14.72% and 3.466% of LAIF's total portfolio for all investors as of June 30, 2008 and 2007, respectively. Fair value of a pool share was 0.999950219 and 0.999545022 for those same periods. The cost value of a pool share was constant at \$1.00.

	2008		2007	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	\$ 4,675,324	\$ 4,675,091	\$ 5,130,639	\$ 5,128,305

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.

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
June 30, 2008					
U.S. Government Securities	\$	\$	\$ 1,949,991		
Other Governmental Entities	602,500				
Total	\$ 602,500	\$ 0	\$ 1,949,991	\$ 2,552,491	\$ 2,534,442
June 30, 2007					
U.S. Government Securities	\$	\$	\$ 3,784,318		
Other Governmental Entities	602,500				
Total	\$ 602,500	\$ 0	\$ 3,784,318	\$ 4,386,818	\$ 4,311,756

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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

Investments of the District subject to interest rate risk on June 30, 2008 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
Certificates of Deposit	\$ 194,000	\$ 193,985	7/2008
Certificates of Deposit	485,000	484,796	8/2008
Certificates of Deposit	291,000	290,840	9/2008
Certificates of Deposit	97,000	96,957	10/2008
Certificates of Deposit	97,000	96,869	3/2009
Certificates of Deposit	194,000	192,645	5/2009
Certificates of Deposit	97,000	96,101	11/2009
Certificates of Deposit	97,000	96,136	3/2010
Certificates of Deposit	194,000	192,043	5/2010
Certificates of Deposit	90,000	89,477	6/2010
U.S Government Securities	400,005	398,624	2/2011
Certificates of Deposit	97,000	95,363	3/2011
U.S Government Securities	350,000	345,163	2/2012
U.S Government Securities	69,143	69,043	7/2012
U.S Government Securities	1,100,000	1,100,939	2/2013
Certificates of Deposit	73,000	71,544	4/2013
Weighted average maturity			11/2010

Investments of the District subject to interest rate risk on June 30, 2007 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
U.S Government Securities	\$ 605,000	\$ 596,869	4/2008
U.S Government Securities	505,000	494,743	7/2008
U.S Government Securities	1,319,824	1,298,380	3/2009
U.S Government Securities	498,750	491,720	4/2009
U.S Government Securities	535,000	523,968	9/2009
U.S Government Securities	105,000	103,890	8/2010
U.S Government Securities	185,467	184,943	6/2011
Weighted average maturity			2/2009

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2008</u>	<u>2007</u>
Cash Deposits	\$ 2,545,974	\$ 475,370
LAIF	4,675,324	5,130,639
Investments	<u>2,552,491</u>	<u>4,386,818</u>
	<u>\$ 9,773,789</u>	<u>\$ 9,992,827</u>
 <u>Cash and Investments</u>		
<u>Classified in the Balance Sheet:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 7,549,017	\$ 5,319,304
Restricted	31,717	286,705
Restricted (Book Overdraft)	<u>(359,436)</u>	<u> </u>
	<u>\$ 7,221,298</u>	<u>\$ 5,606,009</u>
 Investments:		
Unrestricted	\$ 1,949,991	\$ 3,784,318
Restricted	<u>602,500</u>	<u>602,500</u>
	<u>\$ 2,552,491</u>	<u>\$ 4,386,818</u>
	<u>\$ 9,773,789</u>	<u>\$ 9,992,827</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 3 ACCOUNTS RECEIVABLE:

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

	<u>2008</u>	<u>2007</u>
Service Charges	\$ 199,740	\$ 193,995
Taxes	238,463	225,092
Interest	<u>30,213</u>	<u>53,421</u>
	<u>\$ 468,416</u>	<u>\$ 472,508</u>

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

	<u>2008</u>	<u>2007</u>
Service Charges	\$ 144,991	\$ 21,515
Interest	7,845	7,765
Grants	<u>263,717</u>	<u>61,146</u>
	<u>\$ 416,553</u>	<u>\$ 90,426</u>

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

NOTE 4 RESTRICTED ASSETS & LIABILITIES:

Restricted assets at June 30, 2008 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	\$ 20,625	\$ 11,092	(\$ 5,624)	\$ 326	\$ 5,298	\$ 31,717
Investments		602,500				602,500
Accounts Receivable	19,085	7,845	389,623			416,553
Deposits and Prepaid Expenses			5,000			5,000
	<u>39,710</u>	<u>621,437</u>	<u>388,999</u>	<u>326</u>	<u>5,298</u>	<u>1,055,770</u>
<u>Total Restricted Assets</u>						
<u>Current Liabilities (Payable from Restricted Assets):</u>						
Cash and Cash Equivalents (Book Overdraft)	\$ 35,169	\$ 48,301	\$ 359,436	\$	\$	\$ 359,436
Accounts Payable			12,894			96,364
	<u>35,169</u>	<u>48,301</u>	<u>372,330</u>	<u>0</u>	<u>0</u>	<u>455,800</u>
<u>Total Restricted Liabilities</u>						

Restricted assets at June 30, 2007 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	\$ 38,013	\$ 161,778	\$ 81,362	\$ 326	\$ 5,226	\$ 286,705
Investments		602,500				602,500
Accounts Receivable	21,515	7,765	61,146			90,426
	<u>59,528</u>	<u>772,043</u>	<u>142,508</u>	<u>326</u>	<u>5,226</u>	<u>979,631</u>
<u>Total Restricted Assets</u>						
<u>Current Liabilities (Payable from Restricted Assets):</u>						
Accounts Payable	\$ 18,430	\$ 151,060	\$ 29,710	\$	\$ 40	\$ 199,240
	<u>18,430</u>	<u>151,060</u>	<u>29,710</u>	<u>0</u>	<u>40</u>	<u>199,240</u>
<u>Total Restricted Liabilities</u>						

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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 pays a required contribution of 8.163% of the employees' base rate of pay. Additionally, the District contributes 4.082% 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, 2008 and 2007 was \$2,899,060 and \$2,995,661, respectively, of which \$2,326,256 and \$2,297,445 was eligible for pension contributions. Total pension contributions for the fiscal years ended June 30, 2008 and 2007 were \$298,866 and \$280,971, respectively.

During the fiscal years ended June 30, 2008 and 2007, 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, 2008 and 2007

NOTE 6 CAPITAL ASSETS:

The following is a summary of the capital assets at June 30, 2008:

Sewer Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 905,912	\$	\$	\$ 905,912
Construction In Progress	320,476	920,188	(870,107)	370,557
Total Capital Assets not being Depreciated	\$ 1,226,388	\$ 920,188	(\$ 870,107)	\$ 1,276,469
<u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 1,968,229	\$	\$	\$ 1,968,229
Sewage System	25,391,615	837,726		26,229,341
Vehicles & Equipment	4,013,947	199,372		4,213,319
Furniture & Office Equipment	607,760	23,686		631,446
Total Capital Assets being Depreciated	\$ 31,981,551	\$ 1,060,784	\$ 0	\$ 33,042,335
<u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 852,390	\$ 49,206	\$	\$ 901,596
Sewage System	12,965,118	580,136		13,545,254
Vehicles & Equipment	3,228,695	161,568	(16,564)	3,373,699
Furniture & Office Equipment	501,111	36,308		537,419
Total Accumulated Depreciation	\$ 17,547,314	\$ 827,218	(\$ 16,564)	\$ 18,357,968
Net Capital Assets	\$ 15,660,625	\$ 1,153,754	(\$ 853,543)	\$ 15,960,836

The above amounts include \$497,192 of cost and \$122,397 of accumulated depreciation for equipment purchased under capital lease obligations.

Water Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 21,610	\$	\$	\$ 21,610
Construction In Progress	291,769	642,459	(743,028)	191,200
Total Capital Assets not being Depreciated	\$ 313,379	\$ 642,459	(\$ 743,028)	\$ 212,810
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 18,049,917	\$ 718,521	\$	\$ 18,768,438
Vehicles & Equipment	124,984			124,984
Furniture & Office Equipment	11,412	24,507		35,919
Total Capital Assets being Depreciated	\$ 18,186,313	\$ 743,028	\$ 0	\$ 18,929,341
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 7,336,392	\$ 567,197	\$	\$ 7,903,589
Vehicles & Equipment	119,759	1,162		120,921
Furniture & Office Equipment	9,304	1,214		10,518
Total Accumulated Depreciation	\$ 7,465,455	\$ 569,573	\$ 0	\$ 8,035,028
Net Capital Assets	\$ 11,034,237	\$ 815,914	(\$ 743,028)	\$ 11,107,123

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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	<u>151,389</u>	<u>1,233,411</u>	<u>(1,119,603)</u>	<u>265,197</u>
Total Capital Assets not being Depreciated	\$ 7,176,389	\$ 1,233,411	(\$ 1,119,603)	\$ 7,290,197
 <u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 11,637,231	\$ 1,056,505	(\$ 6,824)	\$ 12,686,912
Vehicles & Equipment	637,884	63,098		700,982
Furniture & Office Equipment	<u>135,028</u>	<u></u>	<u></u>	<u>135,028</u>
Total Capital Assets being Depreciated	\$ 12,410,143	\$ 1,119,603	(\$ 6,824)	\$ 13,522,922
 <u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 2,675,441	\$ 387,530	\$	\$ 3,062,971
Vehicles & Equipment	580,025	20,109		600,134
Land Improvements	1,494,117			1,494,117
Furniture & Office Equipment	<u>124,820</u>	<u>4,517</u>	<u></u>	<u>129,337</u>
Total Accumulated Depreciation	\$ 4,874,403	\$ 412,156	\$ 0	\$ 5,286,559
Net Capital Assets	\$ 14,712,129	\$ 1,940,858	(\$ 1,126,427)	\$ 15,526,560
 <u>Total of Net Assets:</u>				
Sewer Department				\$ 15,960,836
Water Department				11,107,123
Recreation Department				<u>15,526,560</u>
				\$ 42,594,519

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2007:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 904,282	\$ 1,630	\$	\$ 905,912
Construction In Progress	721,488	1,692,841	(2,093,853)	320,476
Total Capital Assets not being Depreciated	\$ 1,625,770	\$ 1,694,471	(\$ 2,093,853)	\$ 1,226,388
<u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 1,968,229	\$	\$	\$ 1,968,229
Sewage System	23,257,765	2,133,850		25,391,615
Vehicles & Equipment	3,642,448	371,499		4,013,947
Furniture & Office Equipment	558,025	49,735		607,760
Total Capital Assets being Depreciated	\$ 29,426,467	\$ 2,555,084	\$ 0	\$ 31,981,551
<u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 803,184	\$ 49,206	\$	\$ 852,390
Sewage System	12,441,606	523,512		12,965,118
Vehicles & Equipment	3,070,226	158,469		3,228,695
Furniture & Office Equipment	458,828	42,283		501,111
Total Accumulated Depreciation	\$ 16,773,844	\$ 773,470	\$ 0	\$ 17,547,314
Net Capital Assets	\$ 14,278,393	\$ 3,476,085	(\$ 2,093,853)	\$ 15,660,625

The above amounts include \$337,389 of cost and \$72,297 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	\$	\$	\$ 21,610
Construction In Progress	144,741	265,067	(118,039)	291,769
Total Capital Assets not being Depreciated	\$ 166,351	\$ 265,067	(\$ 118,039)	\$ 313,379
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 17,818,517	\$ 231,400	\$	\$ 18,049,917
Vehicles & Equipment	124,984			124,984
Furniture & Office Equipment	11,412			11,412
Total Capital Assets being Depreciated	\$ 17,954,913	\$ 231,400	\$ 0	\$ 18,186,313
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 6,794,741	\$ 541,651	\$	\$ 7,336,392
Vehicles & Equipment	118,597	1,162		119,759
Furniture & Office Equipment	8,673	631		9,304
Total Accumulated Depreciation	\$ 6,922,011	\$ 543,444	\$ 0	\$ 7,465,455
Net Capital Assets	\$ 11,199,253	(\$ 46,977)	(\$ 118,039)	\$ 11,034,237

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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	\$ 7,580,412	\$	(\$ 555,412)	\$ 7,025,000
Construction In Progress	<u>3,570,409</u>	<u>221,612</u>	<u>(3,640,632)</u>	<u>151,389</u>
Total Capital Assets not being Depreciated	<u>\$ 11,150,821</u>	<u>\$ 221,612</u>	<u>(\$ 4,196,044)</u>	<u>\$ 7,176,389</u>
 <u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 8,307,761	\$ 3,329,470	\$	\$ 11,637,231
Vehicles & Equipment	637,884			637,884
Furniture & Office Equipment	<u>135,028</u>			<u>135,028</u>
Total Capital Assets being Depreciated	<u>\$ 9,080,673</u>	<u>\$ 3,329,470</u>	<u>\$ 0</u>	<u>\$ 12,410,143</u>
 <u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 2,397,913	\$ 277,528	\$	\$ 2,675,441
Vehicles & Equipment	568,352	11,673		580,025
Land Improvements	1,494,117			1,494,117
Furniture & Office Equipment	<u>120,630</u>	<u>4,190</u>		<u>124,820</u>
Total Accumulated Depreciation	<u>\$ 4,581,012</u>	<u>\$ 293,391</u>	<u>\$ 0</u>	<u>\$ 4,874,403</u>
Net Capital Assets	<u>\$ 15,650,482</u>	<u>\$ 3,257,691</u>	<u>(\$ 4,196,044)</u>	<u>\$ 14,712,129</u>
 <u>Total of Net Assets:</u>				
Sewer Department				\$ 15,660,625
Water Department				11,034,237
Recreation Department				<u>14,712,129</u>
				<u>\$ 41,406,991</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, 2008					
Revenue Bonds	<u>\$ 4,345,000</u>	<u>\$ 0</u>	<u>(\$ 575,000)</u>	<u>\$ 3,770,000</u>	<u>\$ 585,000</u>
June 30, 2007					
Revenue Bonds	<u>\$ 4,910,000</u>	<u>\$ 0</u>	<u>(\$ 565,000)</u>	<u>\$ 4,345,000</u>	<u>\$ 575,000</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 7 LONG-TERM DEBT (Continued):

Future annual principal payments range from \$585,000 to \$675,000 with interest rates of 2.25% to 3.35%, beginning February 1, 2009. 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. \$ 215,292

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. 159,803
\$ 375,095

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, 2008 and 2007

NOTE 7 LONG-TERM DEBT (Continued):

C. Summary of Long Term Debt:

Total Debt

Certificates of Participation	\$ 3,770,000
Capital Lease Obligations	<u>375,095</u>
Total Debt	<u>\$ 4,145,095</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
2009	\$ 65,118	\$ 585,000	\$ 650,118	\$ 127,767	\$ 777,885
2010	71,546	605,000	676,546	111,435	787,981
2011	74,863	615,000	689,863	91,782	781,645
2012	78,337	635,000	713,337	70,166	783,503
2013-2014	<u>85,231</u>	<u>1,330,000</u>	<u>1,415,231</u>	<u>69,457</u>	<u>1,484,688</u>
Total Debt	\$ 375,095	\$ 3,770,000	\$ 4,145,095	\$ 470,607	\$ 4,615,702
Less: Current Portion	(65,118)	(585,000)	(650,118)	(127,767)	(777,885)
Total Long Term Debt, Net of Current Portion	<u>\$ 309,977</u>	<u>\$ 3,185,000</u>	<u>\$ 3,494,977</u>	<u>\$ 342,840</u>	<u>\$ 3,837,817</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, 2008, the District had entered into design and construction commitments totaling \$2,075,440, of which \$441,159 had been earned, leaving a remaining commitment of \$1,634,281. As of June 30, 2007, the District had entered into design and construction commitments totaling \$4,091,200, of which 647,304 had been earned, leaving a remaining commitment of \$3,443,893.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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:

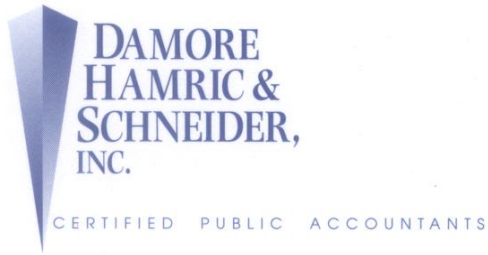
Year Ending June 30,	
2009	\$ 12,698
2010	12,698
2011	12,698
2012	<u>11,432</u>
Total	<u>\$ 49,526</u>

Payments under the lease agreements during the fiscal year ended June 30, 2008 were \$12,698.

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, 2008 and 2007, the District paid the Special District Risk Management Authority \$208,517 and \$126,280, respectively, for workers' compensation insurance coverage.

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 29, 2009

COMPARISON OF BUDGET TO ACTUAL

June 30, 2008 and 2007

<u>Revenues:</u>	Budgeted Amounts Original & Final	Actual Amounts	Favorable (Unfavorable) Variance With Budget
Service Charges	\$ 3,495,733	\$ 4,451,471	\$ 955,738
Recreation Events & Programs	1,600,700	1,414,268	(186,432)
Property Taxes/Measure C	3,663,500	3,983,968	320,468
Investment Income	60,000	335,232	275,232
Grants	170,700	1,204,489	1,033,789
Marketing Fee	15,000	15,000	
Miscellaneous/Gain on Property Sale		20,153	20,153
Capital Contributions - Connection Fees	125,000	64,083	(60,917)
	<u>\$ 9,130,633</u>	<u>\$ 11,488,664</u>	<u>\$ 2,358,031</u>
 <u>Expenses:</u>			
Direct Operating Expenses	\$ 5,401,770	\$ 5,198,434	\$ 203,336
Administration & General	1,710,633	1,970,019	(259,386)
Depreciation		1,808,947	(1,808,947)
Interest Expense	698,940	121,188	577,752
Fiscal Agent Fees	63,000	57,890	5,110
	<u>\$ 7,874,343</u>	<u>\$ 9,156,478</u>	<u>\$ (1,282,135)</u>
 Total Favorable Variance	 <u>\$ 1,256,290</u>	 <u>\$ 2,332,186</u>	 <u>\$ 1,075,896</u>