



**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, 2007 and 2006

North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

BOARD OF DIRECTORS

S. Lane Lewis, President

John Bergman, Vice President

Frank Mooney, Treasurer

Sue Daniels, Director

Jeff Lanini, Director

MANAGEMENT

Steven R. Rogers, General Manager/Chief Executive Officer

Lee Schegg, Public Works Director  
Assistant General Manager  
Clerk of the Board

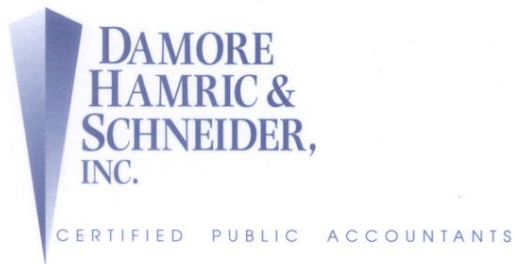
Larry Marple, Chief Financial Officer  
Assistant Clerk of the Board

North Tahoe Public Utility District

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June 30, 2007 and 2006

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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, 2007 and 2006, 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of North Tahoe Public Utility District as of June 30, 2007 and 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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

December 3, 2007

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## North Tahoe Public Utility District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

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, 2007. Please read it in conjunction with NTPUD's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT

The District's Current Assets increased from \$9.6 million to \$9.8 million. Restricted Assets and Liabilities decreased by \$.5 million due to the Tahoe Vista Recreation Area's 2006 liabilities being paid. Net Capital Assets remained at \$41 million. The District's Total Assets remained at \$52 million while Total Liabilities also stayed the same at \$6 million resulting in no change to the District's Total Net Assets which remain at \$46 million. The Long-Term Liabilities (Net of Current Portion) decreased due to the payment of the annual principal amount on the District's Certificate of Participation debt and the elimination of the lease on the automatic parking gates. Net Assets that were Unrestricted but Designated for Board Reserves decreased as \$1.7 million was transferred to fund the \$1.5 million On-Site Chlorine Generation project and other smaller projects.

Direct Operating Expenses increased by \$1.0 million from \$4.4 million in 2005/2006 to \$5.4 million in 2006/2007 equating to a 23% increase due mostly to Salaries and Wages along with Taxes and Benefits. Salaries were higher in 2007 primarily due to filling positions which had been vacant in the prior year and due to contractual obligations with the union. Administration and General expense increased from \$1.7 million to \$1.9 million. The District's Operating Revenues increased from \$4.8 to \$4.9 million dollars. Non-operating Revenues (Expenses) were lower in total by \$.2 million. Included in the Non-Operating Revenues was an increase in Property Tax Revenue of \$.4 million, an increase in investment income of \$.1 million, and the Gain on the Sale of property of \$.3 million.

#### FINANCIAL HIGHLIGHTS - SEWER FUND

Current Unrestricted Assets declined from \$7.3 million to \$6.6 million. Restricted Assets decreased from \$.2 million to \$.1 million. Net Capital Assets increased from \$14.3 million to \$15.7 million as additions to Capital Assets exceeded increases in Accumulated Depreciation by \$1.4 million. \$.4 million was spent on vehicles and equipment, \$.5 million on a sewer main replacement project, and the most significant impact was due to the Chlorine Generation project at \$1.5 million. Total Net Assets grew from \$21.0 to \$21.3 million. Operating Revenues of \$.9 million were lower than the previous year by \$.1 million while Total Operating Expenses were \$.6 million higher. Non-Operating Revenues were \$.4 million higher than the previous year due to \$.3 million in increased Property Tax Revenue and \$.1 million in increased Investment Income. Total Net Assets grew \$.3 million from \$21.0 to \$21.3 million.

#### FINANCIAL HIGHLIGHTS - WATER FUND

Current Unrestricted Assets increased by \$.4 million to \$2.6 million. Current Liabilities (Payable from Current Assets) increased by \$.1 million while Long-Term Liabilities decreased by \$.5 million due to the payment of the annual principal on the C.O.P. Total Net Assets increased from \$8.6 million to \$9.1 million, an increase of \$.5 million. Operating Revenues in the Water Fund remained steady at \$2.7 million. Operating Expenses increased by \$.2 million.

## North Tahoe Public Utility District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

#### FINANCIAL HIGHLIGHTS - RECREATION FUND

Total Current Assets increased from \$.1 million in 2006 to \$.6 million at year end. Restricted Assets decreased from \$.6 million to \$.1 million. Capital Assets decreased from \$15.7 million to \$14.7 million due in part to the sale of land (cost of \$.6 million) and Depreciation (\$.3 million) and an adjustment to Construction in Process of (\$.1 million.) Current Liabilities payable for Current Assets were unchanged. Current Liabilities (Payable from Restricted Assets) decreased over the prior year by \$.5 million. Long Term Liabilities of \$.2 decreased to zero as the lease on the automatic parking gate was terminated. Total Net Assets decreased by \$.2 million during the year. Operating Revenues grew by \$.2 million. Operating Expenses were higher than the previous year by \$.3 million. Non-Operating Revenue was lower than 2006 by \$.7 million due to a decrease in grant revenue of \$1 million offsetting a Gain on Property Sold of \$.3 million.

#### 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.

#### FINANCIAL ANALYSIS OF THE DISTRICT

The most common financial question posed to the District is "How did we do financially during 2006/2007?" 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

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

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 Balance Sheet  
In Millions

	<u>FY 2007</u>	<u>FY 2006</u>
Assets		
Current Assets	\$ 10	\$ 10
Restricted Assets	1	1
Net Capital Assets	41	41
Total Assets	<u>\$ 52</u>	<u>\$ 52</u>
Liabilities		
Current Liabilities (Payable from Current Assets)	\$ 2	\$ 1
Current Liabilities (Payable from Restricted Assets)		
Long-Term Liabilities	4	5
Total Liabilities	<u>\$ 6</u>	<u>\$ 6</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 37	\$ 36
Restricted	2	4
Unrestricted	7	6
Total Net Assets	<u>\$ 46</u>	<u>\$ 46</u>

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

As can be seen from the table above, Net Assets remained steady at \$46 million. The makeup of Net Assets changed as amounts Invested in Capital Assets increased by 3%. Restricted Net Assets decreased from \$4 million to \$2 million and Unrestricted Net Assets increased from \$6 million in 2006 to \$7 million in 2007 a 17 % increase.

Table A-2  
Condensed Statements of Revenues,  
Expenses, and Changes in Net Assets  
In Millions

	<u>FY 2007</u>	<u>FY 2006</u>
Operating Revenues	\$ 4.9	\$ 4.8
Nonoperating Revenue	<u>4.4</u>	<u>4.6</u>
Total Revenue	<u>\$ 9.3</u>	<u>\$ 9.4</u>
Direct Operating Expenses	\$ 5.4	\$ 4.4
Administration & General Expense	1.9	1.7
Depreciation Expense	<u>1.6</u>	<u>1.6</u>
Total Expenses	<u>\$ 8.9</u>	<u>\$ 7.7</u>
Changes in Net Assts	<u>\$ 0.4</u>	<u>\$ 1.7</u>
Beginning Net Assets	<u>\$ 45.7</u>	<u>\$ 44.0</u>
Ending Net Assets	<u><u>\$ 46.1</u></u>	<u><u>\$ 45.7</u></u>

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. However, the increase in Net Assets in FY 2007 was not as great as in the FY 2006 due to a decrease in Non-operating Revenue and an increase in Direct Operating Expenses and in Administration and General Expense. The decrease in Non-operating Revenue was due to a decrease in Grant revenues which dropped from \$1 million in 2006 to less than \$.1 million in 2007. The decrease in Grant revenue was partially offset by a Gain on Property Sold of \$.3.

The District's Operating Revenues increased by \$.1 million to \$4.9 million due to increased revenue from Events & Programs.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

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 2007 budget comparison and analysis is presented in Table A-3.

Table A-3  
Budget vs. Actual  
Fiscal Year Ended 6/30/07  
In Millions

	Budget	Actual	Variance
Operating Revenues			
Service Charges	\$ 3.3	\$ 3.4	\$ 0.1
Connection Fees	0.1	0.2	0.1
Events and Programs	<u>1.4</u>	<u>1.4</u>	<u>0.0</u>
Total Operating Revenues	<u>\$ 4.8</u>	<u>\$ 5.0</u>	<u>\$ 0.2</u>
Operating Expenses			
Direct Operating Expenses	\$ 7.4	\$ 5.4	\$ 2.0
Administration & General Expense	2.4	1.9	0.5
Depreciation Expense	<u>0.0</u>	<u>1.6</u>	<u>( 1.6)</u>
Total Operating Expenses	<u>\$ 9.8</u>	<u>\$ 8.9</u>	<u>\$ 0.9</u>
Nonoperating Revenues (Expenses)	<u>\$ 4.3</u>	<u>\$ 4.4</u>	<u>\$ 0.1</u>
Changes in Net Assts	<u>\$ 0.7</u>	<u>\$ 0.5</u>	<u>(\$ 0.2)</u>
Beginning Net Assets	<u>\$ 45.6</u>	<u>\$ 45.6</u>	<u>\$ 0.0</u>
Ending Net Assets	<u>\$ 46.3</u>	<u>\$ 46.1</u>	<u>(\$ 0.2)</u>

The Operating Revenue variance was due to Service Charges and Connection Fees falling short of their respective budgets by \$.1 million each. Operating Expenses were less than budget by \$.9 million. Direct Operating Expenses positive variance of \$2 million was the primary factor while Administration and General Expenses also contributed by being under budget by \$.5 million. The District does not budget for Depreciation and therefore it appears as a negative variance of \$1.6. Net Non-operating Revenues (Expenses) were more than budgeted due in part to property tax revenue being more than budgeted by \$.3 million and in part to the District's method in which it budgets for principal payments on its debt which resulted in a \$.6 million negative variance.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

CAPITAL ASSETS

Table A-4  
Capital Assets - In Millions

	FY 2007	FY 2006	Dollar Change
Fixed Assets	\$ 70.5	\$ 65.0	\$ 5.5
Construction in Process	0.8	4.4	( 3.6)
Sub-total	\$ 71.3	\$ 69.4	\$ 1.9
Accumulated depreciation	\$ 29.9	\$ 28.3	\$ 1.6
Net Capital Assets	\$ 41.4	\$ 41.1	\$ 0.3

At the end of fiscal year 2007, the District had \$41.1 million invested in capital assets as shown in Table A-4. The Construction in Process decrease of \$3.6 million was primarily due to the completion of the construction at the Tahoe Vista Recreation Area.

FUTURE ECONOMIC FACTORS

On October 29th, 2007 the District's Board of Directors adopted rate increases that are expected to have a significant effect on the District's Financial Position and Results of Operations. The rate increases are expected to generate additional \$1.0 million of revenue in the 2007/2008 fiscal year and \$1.8 million in 2008/2009, the first full year of implementation. The increased revenue amounts to a 30% increase for 2007/2008 and 54% for 2008/2009. The revenue will be used to fund the District's Capital Improvement Program which involves replacing aging infrastructure. The projects themselves will have a significant impact on the District's Financial Position in that the revenues will be spent on Capital Assets.

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).

## BALANCE SHEET

June 30, 2007 and 2006

## ASSETS

<u>Current Assets:</u>	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 5,319,304	\$ 4,879,545
Investments	3,784,318	3,648,858
Accounts Receivable	472,508	858,503
Inventory	202,322	172,268
Deposits and Prepaid Expenses	<u>41,011</u>	<u>87,540</u>
Total Current Assets	<u>\$ 9,819,463</u>	<u>\$ 9,646,714</u>
 <u>Restricted Assets:</u>		
Cash and Cash Equivalents	\$ 286,705	\$ 834,577
Investments	602,500	602,500
Accounts Receivable	<u>90,426</u>	<u>80,634</u>
Total Restricted Assets	<u>\$ 979,631</u>	<u>\$ 1,517,711</u>
Net Capital Assets	<u>\$ 41,406,991</u>	<u>\$ 41,128,128</u>
Total Assets	<u><u>\$ 52,206,085</u></u>	<u><u>\$ 52,292,553</u></u>

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

## BALANCE SHEET

June 30, 2007 and 2006

## LIABILITIES &amp; NET ASSETS

<u>Current Liabilities (Payable from Current Assets):</u>	<u>2007</u>	<u>2006</u>
Current Portion of Long-Term Debt	\$ 612,031	\$ 648,292
Accounts Payable	610,619	182,098
Accrued Liabilities	650,768	414,963
Customer Deposits		<u>1,350</u>
 Total Current Liabilities (Payable from Current Assets)	 <u>\$ 1,873,418</u>	 <u>\$ 1,246,703</u>
 <u>Current Liabilities (Payable from Restricted Assets):</u>		
Accounts Payable	<u>\$ 199,240</u>	<u>\$ 590,672</u>
 Total Current Liabilities (Payable from Restricted Assets)	 <u>\$ 199,240</u>	 <u>\$ 590,672</u>
 Long-Term Liabilities (Net of Current Portion)	 <u>\$ 3,985,292</u>	 <u>\$ 4,781,507</u>
 Total Liabilities	 <u>\$ 6,057,950</u>	 <u>\$ 6,618,882</u>
 <u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	\$ 37,421,699	\$ 36,346,621
Restricted for Capital Outlay (Expendable)	172,378	318,758
Restricted for Debt Service (Expendable)	602,500	602,500
Restricted for Trusteed Funds (Expendable)	5,513	5,781
Unrestricted - Designated for Board Reserves	940,797	2,377,614
Unrestricted for Operations	<u>7,005,248</u>	<u>6,022,397</u>
 Total Net Assets	 <u>\$ 46,148,135</u>	 <u>\$ 45,673,671</u>
 Total Liabilities & Net Assets	 <u><u>\$ 52,206,085</u></u>	 <u><u>\$ 52,292,553</u></u>

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

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Years Ended June 30, 2007 and 2006

<u>Operating Revenues:</u>	<u>2007</u>	<u>2006</u>
Service Charges	\$ 3,371,478	\$ 3,369,910
Connection Fees	151,270	218,528
Recreation Events & Programs	<u>1,447,729</u>	<u>1,219,190</u>
Total Operating Revenues	<u>\$ 4,970,477</u>	<u>\$ 4,807,628</u>
 <u>Operating Expenses:</u>		
Direct Operating Expenses	\$ 5,417,171	\$ 4,387,775
Administration & General	1,862,310	1,749,559
Depreciation	<u>1,610,306</u>	<u>1,564,333</u>
Total Operating Expenses	<u>\$ 8,889,787</u>	<u>\$ 7,701,667</u>
Total Operating (Loss)	<u>(\$ 3,919,310)</u>	<u>(\$ 2,894,039)</u>
 <u>Nonoperating Revenues (Expenses):</u>		
Rents and Leases	\$	\$ 13,325
Property Taxes/Measure C	3,799,965	3,365,187
Investment Income	445,627	344,723
Grants	45,024	1,077,405
Marketing Fee	15,000	15,000
Miscellaneous/Gain on Property Sale	270,118	1,369
Interest Expense	( 128,763)	( 136,925)
Fiscal Agent Fees	( 48,737)	( 52,020)
Miscellaneous	<u>( 4,460)</u>	<u>( 1,263)</u>
Total Non-Operating Net Revenues	<u>\$ 4,393,774</u>	<u>\$ 4,626,801</u>
Changes in Net Assets	\$ 474,464	\$ 1,732,762
Net Assets, Beginning of Year	<u>45,673,671</u>	<u>43,940,909</u>
Net Assets, End of Year	<u><u>\$ 46,148,135</u></u>	<u><u>\$ 45,673,671</u></u>

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

## STATEMENT OF CASH FLOWS

For the Fiscal Years Ended June 30, 2007 and 2006

<u>Cash Flows from Operating Activities:</u>	<u>2007</u>	<u>2006</u>
Received from Customers	\$ 5,417,148	\$ 4,836,252
Other Receipts		54,263
Paid to Suppliers for Goods and Services	( 5,699,909)	( 3,598,916)
Paid to Employees for Services - Including Benefits	( 1,360,670)	( 2,398,367)
Net Cash Used by Operating Activities	( <u>\$ 1,643,431</u> )	( <u>\$ 1,106,768</u> )
<u>Cash Flows from Noncapital Financing Activities:</u>		
Rents and Leases	\$	\$ 13,325
Property Taxes Collected	3,799,966	3,365,186
Operating Grants Received	45,023	1,077,405
Transient Occupancy Tax	15,000	15,000
Other Non-Operating Revenues/(Expenses)	<u>265,657</u>	<u>( 3,101)</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 4,125,646</u>	<u>\$ 4,467,815</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	\$ (2,792,337)	\$ (2,578,010)
Sale of Capital Assets	866,574	
Principal Paid on Bonds & Notes	( 565,000)	( 555,000)
Cancellation of Capital Lease	( 232,232)	
Interest Paid on Bonds & Notes	( 128,763)	( 136,925)
Fiscal Agent Fees	( 48,737)	( 48,813)
Net Cash Used by Capital & Related Financing Activities	<u>(<u>\$ 2,900,495</u>)</u>	<u>(<u>\$ 3,318,748</u>)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Investments	( <u>\$ 135,460</u> )	( <u>\$ 294,195</u> )
Interest on Investments	<u>445,627</u>	<u>344,722</u>
Net Cash Provided by (Used) by Investing Activities	<u>\$ 310,167</u>	<u>\$ 50,527</u>
Net Increase in Cash and Cash Equivalents	( <u>\$ 108,113</u> )	<u>\$ 92,826</u>
Cash and Cash Equivalents at Beginning of Year	<u>5,714,122</u>	<u>5,621,296</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 5,606,009</u></u>	<u><u>\$ 5,714,122</u></u>

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

## STATEMENT OF CASH FLOWS

For the Fiscal Years Ended June 30, 2007 and 2006

<u>Cash and Cash Equivalents as Classified</u> <u>in the Statements of Net Assets:</u>	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and Cash Equivalents	\$ 5,319,304	\$ 4,879,545
Restricted Assets:		
Cash and Cash Equivalents	<u>286,705</u>	<u>834,577</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,606,009</u>	<u>\$ 5,714,122</u>
 <u>Reconciliation of Operating Loss</u> <u>to Net Cash Used by Operating Activities:</u>		
Operating Loss	(\$ 3,919,309)	(\$ 2,894,039)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	1,610,306	1,564,333
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	376,203	( 59,522)
(Increase) in Inventory	( 30,054)	( 3,830)
(Increase) Decrease in Prepaid Expenses	46,529	( 53,455)
Increase (Decrease) in Accounts Payable	37,088	296,462
Increase in Accrued Expenses	235,806	78,131
Increase in Deferred Revenue	<u>                    </u>	<u>( 34,848)</u>
Net Cash Used by Operating Activities	<u>(\$ 1,643,431)</u>	<u>(\$ 1,106,768)</u>

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

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.

- 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.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

- *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, 2007, the Agency has debt related to capital assets of \$3,985,292. The portion of that debt identified as due within one year is estimated. Principal is paid based upon a reduction in cost charged for water usage. Therefore, the amount paid in the next year may vary.
- *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 asset 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, 2007 and 2006

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, 2006 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, 2007 and 2006

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, 2007 was \$940,797 and at June 30, 2006 was \$2,377,614.
- 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, 2007, the recorded liability was \$315,075, and at June 30, 2006 was \$239,599.
- 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, 2007 and 2006

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, the State of California Local Agency Investment Fund (LAIF), and the Placer County Treasurer's Investment Portfolio. 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, 2007, the carrying amount of the District's deposits was \$473,570. 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.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

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

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.

June 30, 2007	Category 1	Category 2	Category 3	Carrying Amount	Market Value
U.S. Government Securities	\$	\$	\$3,784,318		
Other Governmental Entities	<u>602,500</u>				
Total	<u>\$ 602,500</u>	<u>\$ 0</u>	<u>\$3,784,318</u>	<u>\$4,386,818</u>	<u>\$4,311,756</u>
June 30, 2006					
U.S. Government Securities	\$	\$	\$3,648,858		
Other Governmental Entities	<u>602,500</u>				
Total	<u>\$ 602,500</u>	<u>\$ 0</u>	<u>\$3,648,858</u>	<u>\$4,251,358</u>	<u>\$4,133,274</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, 2007 are summarized as follows:

	Cost	Market Value	Maturity
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
	<u>\$ 3,754,041</u>	<u>\$ 3,694,513</u>	
Weighted average maturity			2/2009

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

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

Investments of the District subject to interest rate risk on June 30, 2006 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
U.S Government Securities	\$ 605,000	\$ 586,094	4/2008
U.S Government Securities	505,000	484,012	7/2008
U.S Government Securities	1,085,000	1,045,439	3/2009
U.S Government Securities	498,750	484,220	4/2009
U.S Government Securities	535,000	515,440	9/2009
U.S Government Securities	105,000	103,491	4/2010
U.S Government Securities	105,000	102,575	8/2010
U.S Government Securities	190,000	189,415	12/2010
	<u>\$ 3,628,750</u>	<u>\$ 3,510,686</u>	
Weighted average maturity			3/2009

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2007</u>	<u>2006</u>
Cash Deposits	\$ 5,606,009	\$ 5,714,122
Investments	<u>4,386,818</u>	<u>4,251,358</u>
	<u>\$ 9,992,827</u>	<u>\$ 9,965,480</u>

Cash and Investments

Classified in the Balance Sheet:

Cash and Cash Equivalents:

Unrestricted	\$ 5,319,304	\$ 4,879,545
Restricted	<u>286,705</u>	<u>834,577</u>
	<u>\$ 5,606,009</u>	<u>\$ 5,714,122</u>

Investments:

Unrestricted	\$ 3,784,318	\$ 3,648,858
Restricted	<u>602,500</u>	<u>602,500</u>
	<u>\$ 4,386,818</u>	<u>\$ 4,251,358</u>
	<u>\$ 9,992,827</u>	<u>\$ 9,965,480</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 3 ACCOUNTS RECEIVABLE:

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

	<u>2007</u>	<u>2006</u>
Service Charges	\$ 193,995	\$ 568,365
Taxes	225,092	236,717
Interest	<u>53,421</u>	<u>53,421</u>
	<u>\$ 472,508</u>	<u>\$ 858,503</u>

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

Service Charges	\$ 21,515	\$ 37,454
Interest	7,765	7,729
Grants	<u>61,146</u>	<u>35,451</u>
	<u>\$ 90,426</u>	<u>\$ 80,634</u>

North Tahoe Public Utility District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006

NOTE 4 RESTRICTED ASSETS & LIABILITIES:

Restricted assets at June 30, 2007 are identified by use as follows:

<u>Restricted Assets:</u>	<u>Sewer Construction Reserves</u>	<u>Water Construction Reserves</u>	<u>Recreation Construction Reserves</u>	<u>Tree Fund</u>	<u>Children's Fund</u>	<u>Building Corporation</u>	<u>Total - All Reserves &amp; Designations</u>
Cash and Cash Equivalents	\$ 38,013	\$ 151,060	\$ 81,362	\$ 326	\$ 5,226	\$ 10,718	\$ 286,705
Investments						602,500	602,500
Accounts Receivable	21,515		61,146			7,765	90,426
<b>Total Restricted Assets</b>	<b><u>\$ 59,528</u></b>	<b><u>\$ 151,060</u></b>	<b><u>\$ 142,508</u></b>	<b><u>\$ 326</u></b>	<b><u>\$ 5,226</u></b>	<b><u>\$ 620,983</u></b>	<b><u>\$ 979,631</u></b>
<u>Current Liabilities (Payable from Restricted Assets):</u>							
Accounts Payable	\$ 18,430	\$ 151,060	\$ 29,710	\$	\$ 40	\$	\$ 199,240
<b>Total Restricted Liabilities</b>	<b><u>\$ 18,430</u></b>	<b><u>\$ 151,060</u></b>	<b><u>\$ 29,710</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 40</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 199,240</u></b>

Restricted assets at June 30, 2006 are identified by use as follows:

<u>Restricted Assets:</u>	<u>Sewer Construction Reserves</u>	<u>Water Construction Reserves</u>	<u>Recreation Construction Reserves</u>	<u>Tree Fund</u>	<u>Children's Fund</u>	<u>Building Corporation</u>	<u>Total - All Reserves &amp; Designations</u>
Cash and Cash Equivalents	\$ 118,146	\$ 193,426	\$ 516,275	\$ 327	\$ 5,454	\$ 949	\$ 834,577
Investments						602,500	602,500
Accounts Receivable	37,454		35,451			7,729	80,634
<b>Total Restricted Assets</b>	<b><u>\$ 155,600</u></b>	<b><u>\$ 193,426</u></b>	<b><u>\$ 551,726</u></b>	<b><u>\$ 327</u></b>	<b><u>\$ 5,454</u></b>	<b><u>\$ 611,178</u></b>	<b><u>\$ 1,517,711</u></b>
<u>Current Liabilities (Payable from Restricted Assets):</u>							
Accounts Payable	\$ 15,529	\$ 23,349	\$ 551,794	\$	\$	\$	\$ 590,672
<b>Total Restricted Liabilities</b>	<b><u>\$ 15,529</u></b>	<b><u>\$ 23,349</u></b>	<b><u>\$ 551,794</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 590,672</u></b>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 5 PENSION PLAN:

The District has a defined contribution 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, 2007 and 2006 was \$2,995,661 and \$2,385,002, respectively, of which \$2,297,445 and \$1,875,130 was eligible for pension contributions. Total pension contributions for the fiscal years ended June 30, 2007 and 2006 were \$280,971 and \$228,807, respectively. For the year ended June 30, 2007, \$23,338 of the contribution amount was applied from the District's forfeiture account where the District had accumulated funds from forfeited employee accounts. For the year ended June 30, 2006, \$25,979 was applied from the District's forfeiture account.

During the fiscal years ended June 30, 2007 and 2006, 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, 2007 and 2006

NOTE 6

CAPITAL ASSETS:

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

Sewer Department:

	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 Department:

	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, 2007 and 2006

NOTE 6 CAPITAL ASSETS (Continued):

Recreation Department:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated:</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>

Capital Assets being Depreciated:

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>
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Less Accumulated Depreciation for:

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>
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Net Capital Assets	<u>\$ 15,650,482</u>	<u>\$ 3,257,691</u>	<u>(\$ 4,196,044)</u>	<u>\$ 14,712,129</u>
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Total of Net Assets:

Sewer Department	\$ 15,660,625
Water Department	11,034,237
Recreation Department	<u>14,712,129</u>
	<u>\$ 41,406,991</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 6 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2006:  
Sewer Department:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 902,482	\$ 1,800	\$	\$ 904,282
Construction In Progress	123,639	599,700	( 1,851)	721,488
Total Capital Assets not being Depreciated	\$ 1,026,121	\$ 601,500	(\$ 1,851)	\$ 1,625,770
<u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 1,968,229	\$	\$	\$ 1,968,229
Sewage System	23,200,205	57,560		23,257,765
Vehicles & Equipment	3,246,820	395,628		3,642,448
Furniture & Office Equipment	511,898	46,127		558,025
Total Capital Assets being Depreciated	\$ 28,927,152	\$ 499,315	\$ 0	\$ 29,426,467
<u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 753,978	\$ 49,206	\$	\$ 803,184
Sewage System	11,964,965	476,641		12,441,606
Vehicles & Equipment	2,802,307	267,919		3,070,226
Furniture & Office Equipment	437,419	21,409		458,828
Total Accumulated Depreciation	\$ 15,958,669	\$ 815,175	\$ 0	\$ 16,773,844
Net Capital Assets	\$ 13,994,604	\$ 285,640	(\$ 1,851)	\$ 14,278,393

The above amounts include \$337,389 of cost and \$24,099 of accumulated depreciation for equipment purchased under capital lease obligations.

Water Department:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 21,610	\$	\$	\$ 21,610
Construction In Progress		144,741		144,741
Total Capital Assets not being Depreciated	\$ 21,610	\$ 144,741	\$	\$ 166,351
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 17,784,883	\$ 33,634	\$	\$ 17,818,517
Vehicles & Equipment	124,984			124,984
Furniture & Office Equipment	9,461	1,951		11,412
Total Capital Assets being Depreciated	\$ 17,919,328	\$ 35,585	\$ 0	\$ 17,954,913
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 6,274,323	\$ 520,418	\$	\$ 6,794,741
Vehicles & Equipment	117,435	1,162		118,597
Furniture & Office Equipment	8,237	436		8,673
Total Accumulated Depreciation	\$ 6,399,995	\$ 522,016	\$ 0	\$ 6,922,011
Net Capital Assets	\$ 11,540,943	(\$ 341,690)	\$ 0	\$ 11,199,253

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 6 CAPITAL ASSETS (Continued):

Recreation Department:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 7,580,412	\$	\$	\$ 7,580,412
Construction In Progress	1,754,008	1,816,401		3,570,409
 Total Capital Assets not being Depreciated	 \$ 9,334,420	 \$ 1,816,401	 \$ 0	 \$ 11,150,821
 <u>Capital Assets being Depreciated:</u>				
Building & Improvements	\$ 8,307,761	\$	\$	\$ 8,307,761
Vehicles & Equipment	637,884			637,884
Furniture & Office Equipment	132,912	2,116		135,028
 Total Capital Assets being Depreciated	 \$ 9,078,557	 \$ 2,116	 \$ 0	 \$ 9,080,673
 <u>Less Accumulated Depreciation for:</u>				
Building & Improvements	\$ 2,186,975	\$ 210,938	\$	\$ 2,397,913
Vehicles & Equipment	556,679	11,673		568,352
Land Improvements	1,494,117			1,494,117
Furniture & Office Equipment	116,099	4,531		120,630
 Total Accumulated Depreciation	 \$ 4,353,870	 \$ 227,142	 \$ 0	 \$ 4,581,012
 Net Capital Assets	 \$ 14,059,107	 \$ 1,591,375	 \$ 0	 \$ 15,650,482

The above amounts include \$271,943 of cost for assets acquired under capital lease obligations.

Total of Net Assets:

Sewer Department	\$ 14,278,393
Water Department	11,199,253
Recreation Department	<u>15,650,482</u>
	<u>\$41,128,128</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, 2007					
Revenue Bonds	<u>\$4,910,000</u>	<u>\$ 0</u>	<u>(\$ 565,000)</u>	<u>\$4,345,000</u>	<u>\$ 575,000</u>
June 30, 2006					
Revenue Bonds	<u>\$5,465,000</u>	<u>\$ 0</u>	<u>(\$ 555,000)</u>	<u>\$4,910,000</u>	<u>\$ 565,000</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 7 LONG-TERM DEBT (Continued):

Annual principal payments range from \$10,000 to \$675,000 with interest rates of 1% to 3.35%, beginning February 1, 2007. 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.

\$ 252,323

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

C. Summary of Long Term Debt:

Certificates of Participation	\$ 4,345,000
Capital Lease Obligations	<u>252,323</u>
Total Debt	<u>\$ 4,597,323</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 7 LONG-TERM DEBT (Continued):

2. 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
2008	\$ 37,031	\$ 575,000	\$ 612,031	\$ 135,766	\$ 747,797
2009	38,908	585,000	623,908	121,813	745,721
2010	40,881	605,000	645,881	106,678	752,559
2011	42,953	615,000	657,953	88,270	746,223
2012	45,131	635,000	680,131	67,950	748,081
2013-2014	47,419	1,330,000	1,377,419	68,590	1,446,009
Total Debt	\$ 252,323	\$ 4,345,000	\$ 4,597,323	\$ 589,067	\$ 5,186,390
Less: Current Portion	37,031	575,000	612,031	135,766	747,797
Total Long Term Debt, Net of Current Portion	\$ 215,292	\$ 3,770,000	\$ 3,985,292	\$ 453,301	\$ 4,438,593

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:

The District had several design and construction contracts in process. The contracts totaled \$4,091,200 at June 30, 2007. There was \$3,443,893 remaining on these contracts to be completed. At June 30, 2006 contracts totaled \$1,837,144 while \$1,372,504 remained to be completed.

NOTE 10 VOTER LEGISLATION:

Proposition 218, which was approved by the voters in November 1996, will regulate 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 were imposed may be significantly impaired. At this time it is uncertain how Proposition 218 will affect the District's ability to maintain or increase the revenue it receives from assessments and fees.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

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:

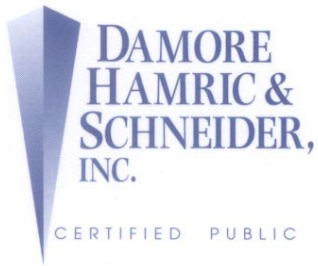
Year Ending June 30,	
2008	\$ 12,698
2009	12,698
2010	12,698
2011	12,698
2012	<u>11,432</u>
Total	<u>\$ 62,224</u>

Payments under the lease agreements during the fiscal year ended June 30, 2007 were \$11,006.

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, 2007 and 2006, the District paid the Special District Risk Management Authority \$126,280 and \$153,264, respectively, for workers' compensation insurance coverage.

## **SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
North Tahoe Public Utilities District

Our report on our audit of the basic financial statements of North Tahoe Public Utilities District for the fiscal year ended June 30, 2007 appears on page 4. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The departmental information contained on pages 36 through 41 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.  
Certified Public Accountants

December 3, 2007

North Tahoe Public Utility District  
DEPARTMENT BALANCE SHEETS

June 30, 2007

	ASSETS			
<u>Current Assets:</u>	<u>Sewer Department</u>	<u>Water Department</u>	<u>Recreation Department</u>	<u>Building Corporation</u>
Cash and Cash Equivalents	\$ 2,390,963	\$ 2,485,054	\$ 443,287	\$
Investments	3,784,318			
Accounts Receivable	258,202	134,091	80,215	
Inventory	200,539		1,783	
Deposits/Prepaid Expenses	<u>12,766</u>		<u>28,245</u>	
Total Current Assets	<u>\$ 6,646,788</u>	<u>\$ 2,619,145</u>	<u>\$ 553,530</u>	<u>\$ 0</u>
 <u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 38,013	\$ 151,060	\$ 86,914	\$ 10,718
Investments				602,500
Accounts Receivable	21,515		61,146	7,765
Due from Other Funds				617,274
Net Investment - Sales Type Leases				<u>3,770,000</u>
Total Restricted Assets	<u>\$ 59,528</u>	<u>\$ 151,060</u>	<u>\$ 148,060</u>	<u>\$ 5,008,257</u>
Net Capital Assets	<u>\$ 15,660,625</u>	<u>\$ 11,034,237</u>	<u>\$ 14,712,129</u>	<u>\$ 0</u>
Total Assets	<u><u>\$ 22,366,941</u></u>	<u><u>\$ 13,804,442</u></u>	<u><u>\$ 15,413,719</u></u>	<u><u>\$ 5,008,257</u></u>

North Tahoe Public Utility District  
DEPARTMENT BALANCE SHEETS

June 30, 2007

LIABILITIES & NET ASSETS

<u>Current Liabilities (Payable from Current Assets):</u>	<u>Sewer Department</u>	<u>Water Department</u>	<u>Recreation Department</u>	<u>Building Corporation</u>
Current Portion of Long-Term Debt	\$ 37,031	\$	\$	\$
Accounts Payable	311,629	214,139	84,850	
Accrued Liabilities:				
General	254,715		30,023	
Compensated Absences	277,063		38,012	
Due to Other Funds		617,274		
Total Current Liabilities	<u>\$ 880,438</u>	<u>\$ 831,413</u>	<u>\$ 152,885</u>	<u>\$ 0</u>
 <u>Current Liabilities (Payable from Restricted Assets):</u>				
Accounts Payable	\$ 18,430	\$ 151,060	\$ 29,750	\$
Current Portion of Long-Term Debt				575,000
Accrued Liabilities				50,956
Total Current Restricted Liabilities	<u>\$ 18,430</u>	<u>\$ 151,060</u>	<u>\$ 29,750</u>	<u>\$ 625,956</u>
 <u>Long-Term Liabilities:</u>				
Balance - Interfund	\$	\$ 3,770,000	\$	\$
Balance - Net of Current Portion	215,292			3,770,000
Total Long Term Liabilities	<u>\$ 215,292</u>	<u>\$ 3,770,000</u>	<u>\$ 0</u>	<u>\$ 3,770,000</u>
Total Liabilities	<u>\$ 1,114,160</u>	<u>\$ 4,752,473</u>	<u>\$ 182,635</u>	<u>\$ 4,395,956</u>
 <u>Net Assets:</u>				
Invested In Capital Assets, Net of Related Debt	\$ 15,445,333	\$ 7,264,237	\$ 14,712,129	\$
Reserved for Capital Outlay (Expendable)	41,098		112,797	9,801
Reserved for Debt Service (Expendable)				602,500
Reserved for Trusteed Funds (Expendable)			5,513	
Unrestricted - Designated for Board Reserves	197,994	702,383	40,420	
Unreserved for Operations	5,568,356	1,085,349	360,225	
Total Net Assets	<u>\$ 21,252,781</u>	<u>\$ 9,051,969</u>	<u>\$ 15,231,084</u>	<u>\$ 612,301</u>
Total Liabilities & Net Assets	<u>\$ 22,366,941</u>	<u>\$ 13,804,442</u>	<u>\$ 15,413,719</u>	<u>\$ 5,008,257</u>

North Tahoe Public Utility District

DEPARTMENT STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2007

	Sewer Department	Water Department	Recreation Department	Building Corporation
<u>Operating Revenue:</u>				
Service Charges	\$ 851,012	\$ 2,590,899	\$	\$
Connection Fees	50,800	100,470		
Events & Programs			1,447,728	
Total Operating Revenue	\$ 901,812	\$ 2,691,369	\$ 1,447,728	\$ 0
 <u>Operating Expenses:</u>				
Direct Operating Expenses	\$ 1,997,198	\$ 1,418,477	\$ 2,071,927	\$
Administration & General	1,484,310	267,000	111,000	
Depreciation	773,471	543,444	293,391	
Total Operating Expenses	\$ 4,254,979	\$ 2,228,921	\$ 2,476,318	\$ 0
Total Operating Income (Loss)	(\$ 3,353,167)	\$ 462,448	(\$ 1,028,590)	\$ 0
 <u>Non-Operating Revenue:</u>				
Property Taxes/Measure C	\$ 3,323,712	\$	\$ 476,254	\$
Investment Income	302,128	98,534	24,518	130,675
Grants	3,329		41,694	
Marketing Fee			15,000	
Miscellaneous/Gain on Property Sold		881	269,236	
Total Non-Operating Revenue	\$ 3,629,169	\$ 99,415	\$ 826,702	\$ 130,675

North Tahoe Public Utility District

DEPARTMENT STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2007

	Sewer Department	Water Department	Recreation Department	Building Corporation
<u>Non-Operating Expenses:</u>				
Interest Expense	\$	\$ 110,228	\$	\$ 128,763
Fiscal Agent Fees	42,572	1,400	4,765	
Miscellaneous			4,460	
	<u>42,572</u>	<u>111,628</u>	<u>9,225</u>	<u>128,763</u>
Total Non-Operating Expense	\$ 42,572	\$ 111,628	\$ 9,225	\$ 128,763
Total Non-Operating Income (Loss)	\$ 3,586,597	(\$ 12,213)	\$ 817,477	\$ 1,912
Net Income (Loss)	\$ 233,430	\$ 450,235	(\$ 211,113)	\$ 1,912
Net Assets, Beginning	<u>21,019,351</u>	<u>8,601,734</u>	<u>15,442,197</u>	<u>610,389</u>
Net Assets, Ending	<u>\$ 21,252,781</u>	<u>\$ 9,051,969</u>	<u>\$ 15,231,084</u>	<u>\$ 612,301</u>

North Tahoe Public Utility District

DEPARTMENT STATEMENTS OF CASH FLOWS

For the Fiscal Year Ended June 30, 2007

<u>Cash Flows from Operating Activities:</u>	<u>Sewer Department</u>	<u>Water Department</u>	<u>Recreation Department</u>	<u>Building Corporation</u>	<u>Totals</u>
Receipts from Customers	\$ 1,253,609	\$ 2,751,098	\$ 1,412,441	\$	\$ 5,417,148
Other Receipts					
Payments to Suppliers	( 2,280,832)	( 1,386,272)	( 2,028,673)	( 4,132)	( 5,699,909)
Payments to Employees	( 741,154)	_____	( 619,516)	_____	( 1,360,670)
Net Cash Provided (Used) by Operating Activities	<u>(\$ 1,768,377)</u>	<u>\$ 1,364,826</u>	<u>(\$ 1,235,748)</u>	<u>(\$ 4,132)</u>	<u>(\$ 1,643,431)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>					
Property Taxes Collected	\$ 3,323,712	\$	\$ 476,254	\$	\$ 3,799,966
Operating Grants Received	3,329		41,694		45,023
Transient Occupancy Tax			15,000		15,000
Other Non-Operating Revenues/Expenses	_____	881	264,776	_____	265,657
Net Cash Provided from Noncapital Financing	<u>\$ 3,327,041</u>	<u>\$ 881</u>	<u>\$ 797,724</u>	<u>\$ 0</u>	<u>\$ 4,125,646</u>
<u>Cash Flows Used for Capital and Related Financing Activities:</u>					
Acquisition of Capital Assets	(\$ 2,192,297)	(\$ 378,428)	(\$ 221,612)	\$	(\$ 2,792,337)
Sale of Capital Assets			866,574		866,574
Principal Paid on Bonds & Notes				( 565,000)	( 565,000)
Cancellation of Capital Lease			( 232,232)		( 232,232)
Interest Paid on Bonds & Notes				( 128,763)	( 128,763)
Fiscal Agent Fees Paid	( 42,572)	( 1,400)	( 4,765)		( 48,737)
Transfers (To) From Other Funds		( 122,217)		122,217	
(Payments)/Collections on Sales Type Leases	_____	( 565,000)	_____	565,000	_____
Net Cash Provided from (Used for) Capital and Related Financing Activities	<u>(\$ 2,234,869)</u>	<u>(\$ 1,067,045)</u>	<u>\$ 407,965</u>	<u>(\$ 6,546)</u>	<u>(\$ 2,900,495)</u>

North Tahoe Public Utility District

DEPARTMENT STATEMENTS OF CASH FLOWS

For the Fiscal Year Ended June 30, 2007

	Sewer Department	Water Department	Recreation Department	Building Corporation	Totals
<u>Cash Flows from Investing Activities:</u>					
Purchase of Investments	(\$ 135,460)	\$	\$	\$	(\$ 135,460)
Interest on Investments	302,128	98,534	24,518	20,447	445,627
Net Cash Provided (Used) by Investing Activities	\$ 166,668	\$ 98,534	\$ 24,518	\$ 20,447	\$ 310,167
Net Increase (Decrease) in Cash and Cash Equivalents	(\$ 509,537)	\$ 397,196	(\$ 5,541)	\$ 9,769	(\$ 108,113)
Cash and Cash Equivalents at Beginning of Year	2,938,513	2,238,918	535,742	949	5,714,122
Cash and Cash Equivalents at End of Year	\$ 2,428,976	\$ 2,636,114	\$ 530,201	\$ 10,718	\$ 5,606,009
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	(\$ 3,353,167)	\$ 462,448	(\$ 1,028,590)	\$	(\$ 3,919,309)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	773,471	543,444	293,391		1,610,306
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	351,797	59,729	( 35,287)	( 36)	376,203
(Increase) Decrease in Inventory	( 30,885)		831		( 30,054)
(Increase) Decrease in Prepaid Expenses	55,034		( 8,505)		46,529
Increase (Decrease) in Accounts Payable	221,597	299,205	( 483,714)		37,088
Increase (Decrease) in Accrued Expenses	213,776		26,126	( 4,096)	235,806
Net Cash Provided (Used) by Operating Activities	(\$ 1,768,377)	\$ 1,364,826	(\$ 1,235,748)	(\$ 4,132)	(\$ 1,643,431)
<u>Cash and Cash Equivalents as Classified in the Balance Sheet:</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 2,390,963	\$ 2,485,054	\$ 443,287	\$	\$ 5,319,304
Restricted Assets:					
Cash and Cash Equivalents	38,013	151,060	86,914	10,718	286,705
Cash and Cash Equivalents at End of Year	\$ 2,428,976	\$ 2,636,114	\$ 530,201	\$ 10,718	\$ 5,606,009