SOUTH TAHOE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Tahoe Public Utility District
South Lake Tahoe, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of South Tahoe Public Utility District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Notes 1, 5 and 16 to the financial statements, during the fiscal year ending June 30, 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the District's 2021 basic financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sacramento, California
December 2, 2022

Financial Highlights

The District has long been addressing the aging water system infrastructure, including undersized waterlines. A major water infrastructure replacement program was started in the early 90's, but slowed down beginning in 2010 due to the state of California's requirement to install meters on all water service connections. In fiscal year 2021-22, the District invested nearly $7.0 million in water infrastructure. With advances in asset management tools, the District now utilizes a strategic set of criteria to determine construction priorities.

The District is continuing to install water meters on all service connections to meet the California state mandate, which requires all water providers with greater than 3,000 service connections be completely metered by 2025. During fiscal year 2010-11, the District began by completing installation of approximately 2,500 meters funded with a $4.4 million grant. Through the end of 2021-22, approximately 11,500 additional meters have been installed. These additional installations increased the portion of the water system metered to approximately 99%. These meters have been funded with three loans, the largest being a low-cost $14 million loan secured through the California State Water Resources Control Board. The loan has a 30-year term with an interest rate of 1.8% and includes $4 million in principal forgiveness. The amount spent on meter installations in fiscal year 2021-22 was $.2 million. The remaining unmetered service connections will have meters installed within the next two years and will be funded with water service charge revenues.

Approximately 10% of the water distribution system is undersized and does not provide appropriate water flows to meet fire protection standards. The waterline, pumping, and storage replacement program improves water quality, quantity, and fire suppression capabilities. As a public service, each waterline project also includes installation of fire hydrants at 500-foot intervals. During fiscal year 2021-22, the District spent $4.0 million on waterline replacements and hydrant installations.

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2021-22, $5.6 million was invested in sewer infrastructure improvements. A few of the projects completed during the year were the rehabilitation of one of the secondary clarifiers at the treatment plant, improvements to the Luther Pass pump station tanks, valves and piping, and the treatment plant emergency blower generator.

- During the year $12.6 million was invested in sewer and water infrastructure and equipment.
- Net position of the District increased $.3 million or 0.2%.
- The Sewer and Water Enterprise Funds' income is $491,762 and ($159,400), respectively.
- Operating revenue is up 1.8% due to an increase in development-related charges.
- Combined operating and nonoperating expenses less depreciation increased 4.4% from the prior year, but came in 5.5% under budget.
- In fiscal year 2021-22, the District recognized competitive grants totaling more than $.9 million, following $.5 million awarded in 2020-21 and $4.6 million awarded in 2019-20. These grants will fund, among other things, waterline replacements, water pumping facilities, and water conservation programs.

Overview of the Basic Financial Statements

The District's basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. An important part of the basic financial statements is the accompanying notes, which provide the users additional information required by generally accepted accounting principles (GAAP). Preceding the basic financial statements is Management's Discussion and Analysis, which is required supplementary information to the basic financial statements.

Overview of the Basic Financial Statements - Continued

The Statement of Net Position includes the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position. The Statement of Revenues, Expenses and Changes in Net Position account for revenue, expenses, and capital contributions and calculates the change in net position. Over time, increases or decreases in net position serve as a key indicator of the District's financial position. The Statement of Cash Flows provides the details on the changes in cash and cash equivalents during the year. By contrast the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are prepared on an accrual basis, meaning revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

Net Position

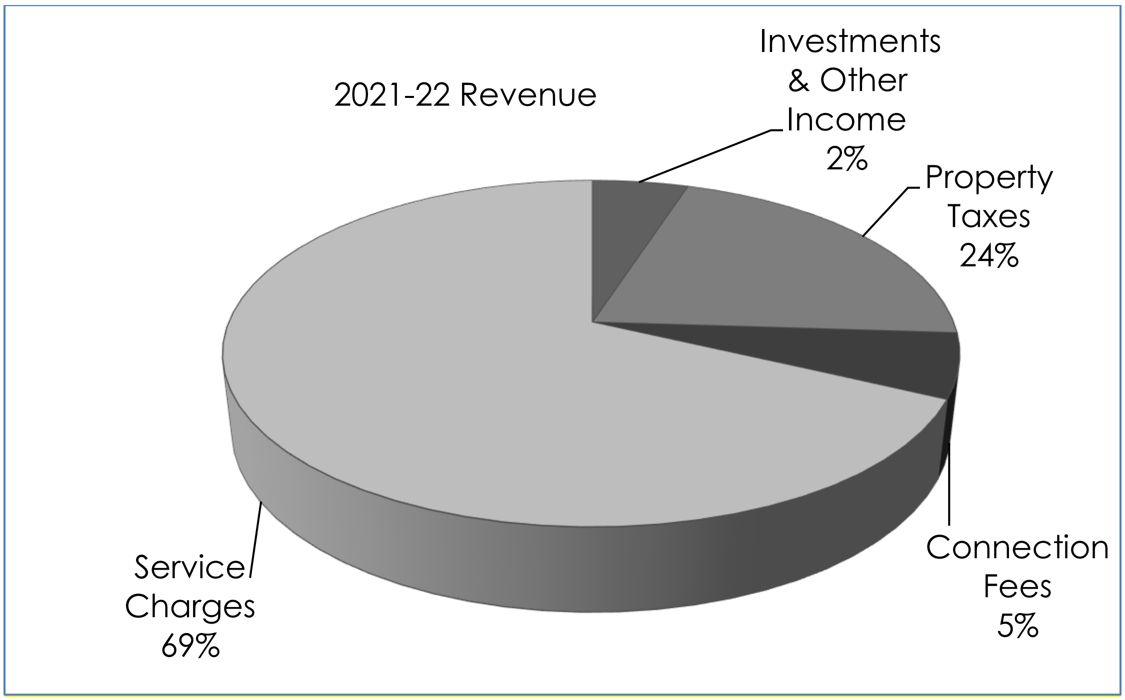
The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements determined in conformity with GASB 68. Previous to GASB 68, the District was only required to report the actual payments submitted to the pension plan as an expense and no liability or deferred outflows/deferred inflows. The net pension liability reported in the Statement of Net Position for years ended June 30, 2022 and 2021 was $5.8 million and $11.9 million respectively. For more information on the District's pension plan, see Note 9 of the Notes to the Financial Statements.

Net Position
(in thousands)

	June 30			
	2022	2021	Change	Change
Current and other	$ 62,947	$ 63,647	($ 700)	(1.1%)
Capital assets	235,997	232,350	3,647	1.6%
Total assets	$298,944	$295,997	$2,947	1.0%
Deferred outflows of resources	$3,546	$3,699	($153)	(4.1%)
Debt outstanding	$ 48,999	$ 49,714	($715)	(1.4%)
Net Pension Liability	5,830	11,923	(6,093)	(51.1%)
Other liabilities	12,739	9,785	2,954	30.2%
Total liabilities	$ 67,568	$ 71,422	($3,854)	(5.4%)
Deferred inflows of resources	$16,887	$10,571	$6,316	59.7%
Net investment in capital assets	$187,221	$182,884	$ 4,337	2.4%
Restricted for security deposits	165	165	0	0.0%
Restricted for debt service payment	1,732	1,732	0	0%
Unrestricted	28,917	32,922	(4,005)	(12.2%)
Total net position	$218,035	$217,703	$332	0.2%

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2021-22 is $40.7 million, a $.1 million or a 0.1% increase from the prior year. The 2022 service charge revenue is down slightly due to lower than average customer water consumption. Connection fees are up $0.1 million or 7.7%, reflecting an increase in both commercial and residential development. Property tax revenue is up $0.6 million or 6.1%, compared to the prior year reflecting an increase in property assessed values. El Dorado County estimates that gross property tax collections will be up approximately 5.0% for 2022-23. Investment income is down due to a higher interest rate environment and recorded decreases to the fair value of investments, while other income is up $.5 million from the prior year due to State aid received for expenditures associated with the Tamarac and Caldor fires and lease revenue from District property at Diamond Valley Ranch in Alpine County.

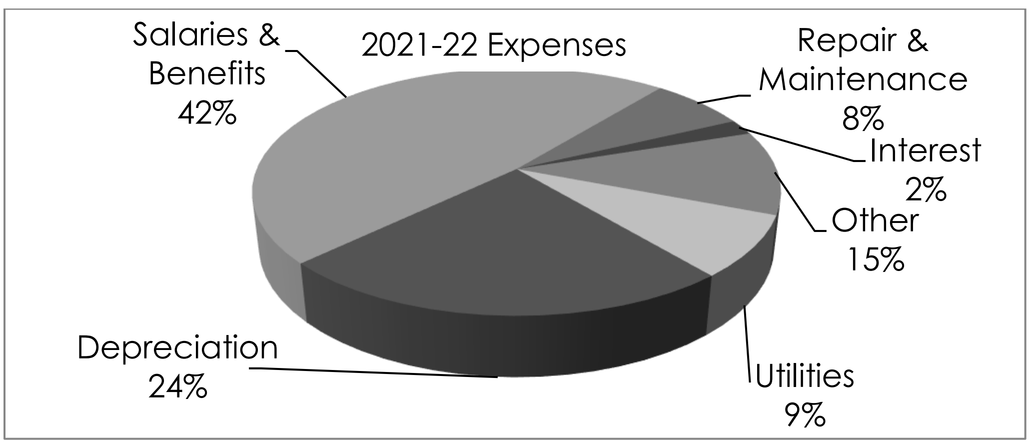


Revenues
(in thousands)

	June 30			
	2022	2021	Change	Change
Service charges	$27,966	$28,112	($ 146)	(0.5%)
Connection fees	2,006	1,862	144	7.7%
Other	742	199	543	272.9%
Total operating revenue	30,714	30,173	541	1.8%
Property taxes	9,886	9,315	571	6.1%
Investments	(1,198)	132	(1,330)	(1007.6%)
Other	1,266	990	276	27.9%
Total non-operating revenue	9,954	10,437	(483)	(4.6%)
Total revenue	$40,668	$40,610	$ 58	0.1%

Revenue and Expenses - Continued

Total operating expenses for the current year are $40.1 million, up $2.3 million from the prior year. The decrease to salaries and benefits was $1.1 million, or 5.9%. The District's policy is to capitalize labor associated with capital projects. The capitalized portion of salaries and benefits is not accounted for in operating expenses, as it is included in capital assets on the Statement of Net Position. The amount of capitalized labor for fiscal year 2022 was $947,047 compared to $1,240,727 in the prior year. The GASB 68 pension expense adjustment for fiscal year 2022 was ($966,375) million compared to $868,965 million in the prior year. The year-over-year change of the required GASB 68 pension expense recognition was ($1.6) million. Similar to the capitalized labor, this adjustment impacts the Statement of Net Position. When comparing salary and benefit totals year-to-year prior to the reduction for the capitalized labor and the increase due to the GASB 68 adjustment, the 2022 increase over the prior year was $447,526 or 2.4%. The increase to salaries of approximately $267,000, or 2.2% represents a 2.5% cost of living increase, and staff turnover due to retirements resulting in new employees starting at, or near the bottom of the wage scales. The remaining increase of $181,000 is due to an increase in retirement benefit expenses. CalPERS classic plan employer rates increased from 23.468% to 25.356% of salaries. Depreciation expense increased by 8.9% illustrating the District's continued investment in new infrastructure. Utilities, which fluctuate year to year due to winter severity, increased 11.6% in 2022 due to continued rate increases implemented by the local power supplier. Repair and maintenance expenditures, which increased 42.9%, fluctuate year to year based on unexpected or planned projects, but in 2022 there were increased expenses due to the response of the Caldor and Tamarack fires. Combined operating and non-operating other expenses fluctuate year to year depending on the level of contracted and other professional services utilized by the District. Interest expense decreased 16.6% due to the refunding of four outstanding issuances during 2021.



Expenses
(in thousands)

	June 30 2022	June 30 2021	Change	Change
Operating expenses:				
Salaries and benefits	$17,423	$18,517	($ 1,094)	(5.9%)
Depreciation	9,952	9,142	810	8.9%
Utilities	3,735	3,347	388	11.6%
Repair and maintenance	3,457	2,419	1,038	42.9%
Other	5,556	4,399	1,157	26.3%
Total operating expenses	40,123	37,824	2,299	6.1%
Non-operating expenses:				
Interest expense	770	923	(153)	(16.6%)
Other	271	289	(18)	(6.2%)
Total non-operating expenses	1,041	1,212	(171)	(14.1%)
Total expenses	$41,164	$39,036	$ 2,128	5.5%

Revenue and Expenses - Continued

The fiscal year 2021-22 loss before capital contributions is ($0.5) million as compared to the actual prior year income of $1.6 million. For the year, capital contributions increased net position an additional $.8 million.

Changes in Net Position
(in thousands)

	June 30			
	2022	2021	Change	Change
Beginning net position	$217,703	$215,947	$1,756	.8%
Income before contributions	(496)	1,589	(2,085)	(131.2%)
Capital contributions	829	167	662	396.4%
Changes in net position	333	1,756	(1,423)	(81.1%)
Ending net position	$218,036	$217,703	$333	0.2%

Capital Assets

The District's investment in its sewer and water systems is $236 million at the end of the fiscal year net of depreciation. During the year, more than $12 million was spent on new infrastructure and equipment. $7.0 million was spent on water system improvements. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. For the year $5.6 was invested in sewer system improvements including pumping and treatment upgrades, line replacement, and recycled water projects.

Capital Assets
(net of depreciation, in thousands)

	Sewer		Water		Total	
	2022	2021	2022	2021	2022	2021
Land and easements	$ 23,035	$ 23,035	$ 2,096	$ 2,096	$ 25,131	$ 25,131
Water rights	-	-	1,668	1,668	1,668	1,668
Plant and equipment	102,774	99,536	93,070	95,075	195,844	194,611
Construction in Progress	5,691	8,327	7,663	2,612	13,354	10,939
Total	$131,500	$130,898	$104,497	$101,451	$235,997	$232,349

For additional information on Capital Assets, see Note 4 in the Notes to Financial Statements.

Debt Administration

The District prefers to avoid funding capital improvement projects with debt, but will do so when necessary to keep service rates at reasonable levels. The District received a new credit rating in April 2021 when it was preparing to issue sewer refunding bonds. S&P Global provided an AA rating for the bond issuance. At year-end, the District had $48.2 million in installment sales and loans outstanding as detailed below. As always, grant opportunities and low-interest subsidized loans are pursued by the District.

Debt Administration - Continued

Outstanding Debt at Year End
(in thousands)

	June 30,	
	2022	2021
Sewer Enterprise Fund:		
California State Revolving Loan Fund (secured by sewer revenue)	6,916	7,129
California State Revolving Loan Fund (secured by sewer revenue)	4,016	4,140
Sewer Refunding (secured by sewer revenue)	3,518	4,109
Sewer Refunding (secured by sewer revenue)	2,453	3,395
Installment Sale Agreement (secured by sewer revenue)	3,663	3,970
California State Revolving Loan Fund (secured by sewer revenue)	956	985
California State Revolving Loan Fund (secured by sewer revenue)	518	534
2021 Wastewater Revenue Refunding Bonds (secured by sewer revenue)	5,235	5,745
Total sewer enterprise fund	27,275	30,007
Water Enterprise Fund:		
Water Refunding (secured by water revenue)	3,461	3,851
California State Revolving Loan Fund (secured by water revenue)	2,861	2,978
California State Revolving Loan Fund (secured by water revenue)	881	931
California State Revolving Loan Fund (secured by water revenue)	9,561	7,734
California State Revolving Loan Fund (secured by water revenue)	3,224	3,295
California State Revolving Loan Fund (secured by water revenue)	905	0
Total water enterprise fund	20,893	18,789
Total debt	$ 48,168	$ 48,796

For additional information on Outstanding Debt, see Note 7 in the Notes to the Financial Statements.

Contacting the District's Financial Management

This financial report is designed to provide the District's elected officials, customers, investors, and creditors with an assessment of the District's financial condition and an accounting of the public's money. If you have questions about this report or need more financial information, contact the Chief Financial Officer, South Tahoe Public Utility District, 1275 Meadow Crest Drive, South Lake Tahoe, CA 96150.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022
(WITH RESTATED COMPARATIVE TOTALS FOR JUNE 30, 2021)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2022	2021 (RESTATED)
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	$ 7,832,144	$ 2,069,104	$ 9,901,248	$ 11,778,326
Investments (Note 2)	1,739,199	710,617	2,449,816	1,595,381
Accounts receivable, net of allowance (Note 3)	534,508	1,374,304	1,908,812	1,775,920
Due from governmental agencies (Note 3)	614,769	698,636	1,313,405	641,845
Property tax receivable	10,006,301	-	10,006,301	9,264,795
Interest receivable	77,765	30,997	108,762	87,410
Leases receivable - current (Note 5)	38,841	38,841	77,682	51,786
Other current assets	275,242	1,177,621	1,452,863	1,168,649
Total current assets	21,118,769	6,100,120	27,218,889	26,364,112
Noncurrent assets				
Restricted assets:				
Cash and cash equivalents (Note 2)	587,907	1,144,168	1,732,075	1,732,071
Certificate of deposit (Note 2)	50,000	115,000	165,000	165,000
Total restricted assets	637,907	1,259,168	1,897,075	1,897,071
Long-term accounts receivable (Note 3)	561,245	-	561,245	779,409
Due from governmental agencies (Note 3)	73,020	73,020	146,040	146,040
Investments (Note 2)	22,268,545	9,103,992	31,372,537	33,280,419
Capital assets, net of accumulated depreciation (Note 4)	131,499,451	104,498,042	235,997,493	232,349,468
Leases receivable - long-term (Note 5)	875,401	875,401	1,750,802	1,180,032
Total noncurrent assets	155,915,569	115,809,623	271,725,192	269,632,439
Total Assets	177,034,338	121,909,743	298,944,081	295,996,551
DEFERRED OUTFLOW OF RESOURCES				
Refunding loan costs	105,520	-	105,520	131,010
Changes in the net pension liability (Note 9)	2,097,107	1,343,486	3,440,593	3,568,091
Total Deferred Outflows of Resources	$ 2,202,627	$ 1,343,486	$ 3,546,113	$ 3,699,101

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2022
(WITH RESTATED COMPARATIVE TOTALS FOR JUNE 30, 2021)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2022**	**2021 (RESTATED)**
LIABILITIES				
Current liabilities				
Accounts payable and other liabilities	$ 2,521,083	$ 3,563,947	$ 6,085,030	$ 4,070,074
Unearned revenue (Note 6)	192,800	18,113	210,913	241,705
Accrued expenses	143,171	299,208	442,379	193,968
Accrued payroll liabilities	210,558	138,725	349,283	319,695
Construction retainage	1,111,568	331,683	1,443,251	886,568
Accrued interest payable	268,243	102,422	370,665	330,680
Deposits payable	-	475,000	475,000	358,000
Compensated absences - current portion (Note 8)	864,813	656,043	1,520,856	1,154,426
Long term liabilities - current portion (Note 7)	2,736,281	911,899	3,648,180	3,557,346
Total current liabilities	8,048,517	6,497,040	14,545,557	11,112,462
Noncurrent liabilities				
Compensated absences - long term portion (Note 8)	1,065,843	775,704	1,841,547	2,230,361
Long term liabilities - long term portion (Note 7)	25,369,712	19,980,795	45,350,507	46,156,372
Net pension liability (Note 9)	3,597,915	2,232,321	5,830,236	11,922,413
Total long-term liabilities	30,033,470	22,988,820	53,022,290	60,309,146
Total Liabilities	38,081,987	29,485,860	67,567,847	71,421,608
DEFERRED INFLOWS OF RESOURCES				
Property tax receivable	10,006,301	-	10,006,301	9,264,795
Changes in the net pension liability (Note 9)	3,060,334	2,040,221	5,100,555	102,252
Lease receivable (Note 5)	890,092	890,092	1,780,184	1,204,052
Total Deferred Inflows of Resources	13,956,727	2,930,313	16,887,040	10,571,099
NET POSITION				
Net Investment in capital assets	103,498,978	83,722,162	187,221,140	182,883,548
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for debt service payment	587,907	1,144,168	1,732,075	1,732,071
Unrestricted	23,061,366	5,855,726	28,917,092	32,922,326
Total Net Position	$ 127,198,251	$ 90,837,056	$ 218,035,307	$ 217,702,945

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022
(WITH RESTATED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2022**	**2021 (RESTATED)**
OPERATING REVENUE				
Charges for sales and services:				
Service charges	$ 15,252,704	$ 12,713,082	$ 27,965,786	$ 28,111,856
Connection and service fees	1,090,182	915,461	2,005,643	1,861,622
Other operating income	521,437	220,656	742,093	199,475
Total operating revenues	16,864,323	13,849,199	30,713,522	30,172,953
OPERATING EXPENSES				
Salaries, wage and employee benefits	11,093,222	6,329,617	17,422,839	18,516,973
Depreciation and amortization	5,423,951	4,527,889	9,951,840	9,142,488
Utilities	2,661,856	1,073,412	3,735,268	3,347,138
Repairs and maintenance	1,384,209	2,072,575	3,456,784	2,418,469
Other operating expenses (Note 15)	3,549,592	2,006,565	5,556,157	4,399,370
Total operating expenses	24,112,830	16,010,058	40,122,888	37,824,438
OPERATING LOSS	(7,248,507)	(2,160,859)	(9,409,366)	(7,651,485)
NONOPERATING REVENUE (EXPENSE)				
Tax revenue	8,415,269	1,470,553	9,885,822	9,314,651
Investment earnings (loss) (Note 14)	(857,713)	(340,478)	(1,198,191)	132,784
Aid from governmental agencies	356,602	552,006	908,608	467,985
Other nonoperating income	51,622	305,957	357,579	536,571
Interest expense	(514,815)	(255,325)	(770,140)	(923,138)
Other expense	(224,814)	(45,777)	(270,591)	(288,748)
Total nonoperating revenue, net	7,226,151	1,686,936	8,913,087	9,240,105
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(22,356)	(473,923)	(496,279)	1,588,620
CAPITAL CONTRIBUTIONS				
Capital contributions	514,118	314,523	828,641	166,903
CHANGE IN NET POSITION	491,762	(159,400)	332,362	1,755,523
TOTAL NET POSITION, BEGINNING OF YEAR	126,706,489	90,996,456	217,702,945	215,935,138
CHANGE IN ACCOUNTING PRINCIPLE (Note 16)	-	-	-	12,284
TOTAL NET POSITION, BEGINNING OF YEAR (RESTATED)	126,706,489	90,996,456	217,702,945	215,947,422
TOTAL NET POSITION, END OF YEAR	$ 127,198,251	$ 90,837,056	$ 218,035,307	$ 217,702,945

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH RESTATED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2022**	**2021 (RESTATED)**
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 17,060,436	$ 13,824,566	$ 30,885,002	$ 30,137,499
Receipts from other funds	-	-	-	3,000,000
Payments to suppliers	(4,134,107)	(256,348)	(4,390,455)	(4,415,514)
Payments to employees	(10,686,959)	(6,407,002)	(17,093,961)	(16,903,921)
Payments to other funds	-	-	-	(3,000,000)
Other operating payments	(3,549,592)	(2,006,565)	(5,556,157)	(4,399,370)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(1,310,222)	5,154,651	3,844,429	4,418,694
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES				
Tax revenue	7,673,763	1,470,553	9,144,316	8,605,715
Payments from (to) governmental agencies	(506,612)	233,982	(272,630)	899,905
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	7,167,151	1,704,535	8,871,686	9,505,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(6,198,356)	(7,637,682)	(13,836,038)	(12,071,193)
Repayment of debt	(2,818,680)	(895,711)	(3,714,391)	(10,189,723)
Proceeds from issuance of debt	-	2,999,360	2,999,360	8,863,659
Interest paid on long-term debt	(455,818)	(248,847)	(704,665)	(1,091,269)
Contributed capital	514,118	314,523	828,641	166,903
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(8,958,736)	(5,468,357)	(14,427,093)	(14,321,623)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	273,321	100,391	373,712	706,625
Purchase of investments	(13,691,841)	(5,592,442)	(19,284,283)	(20,230,000)
Proceeds from sale of investments	14,349,297	4,395,178	18,744,475	20,116,597
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	930,777	(1,096,873)	(166,096)	593,222
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,171,030)	293,956	(1,877,074)	195,913
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,591,081	2,919,316	13,510,397	13,314,484
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,420,051	$ 3,213,272	$ 11,633,323	$ 13,510,397

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2022	2021 (RESTATED)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	$ 7,832,144	$ 2,069,104	$ 9,901,248	$ 11,778,326
Restricted cash and cash equivalents	587,907	1,144,168	1,732,075	1,732,071
TOTAL CASH AND CASH EQUIVALENTS	$ 8,420,051	$ 3,213,272	$ 11,633,323	$ 13,510,397
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating loss	$ (7,248,507)	$ (2,160,859)	$ (9,409,366)	$ (7,651,485)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation and amortization	5,423,951	4,527,889	9,951,840	9,142,488
Net change in deferred outflows and inflows	4,105,053	2,338,386	6,443,439	515,410
Construction-in-progress write-off	172,477	63,696	236,173	-
(Increase) decrease in:				
Receivables	196,113	(110,841)	85,272	(301,966)
Due from other funds	-	-	-	3,000,000
Other assets	(30,991)	(253,223)	(284,214)	(133,404)
Increase (decrease) in:				
Accounts payable	(488,832)	2,503,788	2,014,956	1,338,463
Net pension liability	(3,655,306)	(2,436,871)	(6,092,177)	1,062,491
Unearned revenue	-	(30,792)	(30,792)	221,512
Due to other funds	-	-	-	(3,000,000)
Other payables	215,820	713,478	929,298	225,185
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (1,310,222)	$ 5,154,651	$ 3,844,429	$ 4,418,694
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase in fair value of investments	$ (1,064,415)	$ (418,431)	$ (1,482,846)	$ (628,196)
Noncash capital contributions	514,118	25,226	539,344	4,052,274
Total Non-Cash Investing, Capital, and Financing Activities	$ (550,297)	$ (393,205)	$ (943,502)	$ 3,424,078

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The South Tahoe Public Utility District (the "District"), a public agency established on September 28, 1950, (pursuant to Section 9 of "The Public Utility District Act") supplies drinking water and provides sewage collection, treatment, and export to protect Tahoe's delicate ecosystem. Managing this complex operation requires an uncommon environmental sensitivity.

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's Board of Directors. Management has determined the District to be a single reporting entity for financial reporting purposes by applying the criteria set forth in Statement of Governmental Accounting Standards No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This criteria requires the reporting entity to have a separate elected governing body, that it be a legal separate entity and fiscally independent.

The District reports the following major funds:

<u>Sewer Enterprise Fund</u> - This fund is used to account for wastewater business-like activities provided to the general public. These activities are financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

<u>Water Enterprise Fund</u> - This fund is used to account for water business-like activities provided to the general public. These activities are financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

B. Measurement Focus, Basis of Accounting and Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

<u>Measurement Focus</u>

The statement of net position and the statement of revenues, expenses, and changes in net position, are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with the operation of the District are reported. Proprietary fund equity is classified as net position.

<u>Basis of Accounting</u>

The financial records of the District are maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

C. Budget

The District develops and adopts an annual budget; however, this budget is a management tool and is not a legal requirement.

D. Cash and Cash Equivalents

The District considers cash and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The District's cash and cash equivalents consist of cash, deposits in financial institutions, money market accounts, certificates of deposit and pooled investments. Cash and cash equivalents invested for specific requirements, such as deposits for construction projects, are segregated as restricted cash and cash equivalents.

Deposits of cash and cash equivalents must comply with the District's Investment Policy which complies with the California Government Code. The policy requires deposits in financial institutions to be FDIC insured or fully collateralized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments

Investments consist of unrestricted and restricted federal agency notes, corporate notes, supranationals, municipal bonds, treasury obligations and certificates of deposit. The District records its investments at fair value. Changes in fair value are reported as investment earnings in the statement of revenues, expenses, and changes in net position.

Monies not required for the immediate operations of the District are invested in accordance with the District's Investment Policy.

F. Accounts Receivable

Accounts receivable represent service charges and other revenues billed and uncollected at year-end, along with amounts accrued for items billed after year-end for service periods before year-end. Each year the District records liens for delinquent charges and collects through the property tax bill for active accounts, and pursues full-collection for closed accounts with unpaid balances. The District records an allowance for doubtful accounts for non-recoverable collections.

G. Inventory

Inventory is valued at cost, using the first in first out method (FIFO). Inventory consists of supplies used in the maintenance of water and sewer lines. The cost is recorded as an expense as inventory items are consumed.

H. Property and Equipment

Capital assets are recorded at cost except in those cases where facilities are donated by private developers or special assessment districts. In the latter cases, assets are recorded at acquisition value. At the date of donation, assets are capitalized when they are expected to have useful lives of three years or greater and the original cost is $5,000 or more. All depreciation is computed on the straight-line basis over the following useful lives:

	Years
Sewer Enterprise	
Subsurface lines	10-70
Sewage collection facilities	5-40
Sewage treatment	3-40
Sewage disposal	5-100
General plant and administration	3-50
Water Enterprise	
Source of supply	10-40
Pumping plant	12-30
Water treatment plant	4-35
Transmission and distribution	20-74
General plant	3-20

I. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave, which will be paid to employees upon separation from the District's service. For employees hired after January 1, 2013, earned but unused sick time will not be paid upon separation from the District's services. The cost of vacation and sick leave is recorded in the period accrued.

J. Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Tahoe Public Utility District PERS (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Contributions

Capital contributions are grant monies received from the federal and state government in aid of construction, and assets contributed by Special Assessment Districts or real estate developers.

L. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Operating and Non-operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations of sewer and water services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

N. Property taxes

Secured property taxes are attached as an enforceable lien and levied on property as of January 1st. Taxes are due in two installments, on or before December 10th and April 10th. The District recognizes property tax receivables on January 1st and defers revenue recognition until the period for which the property taxes are levied (July 1st through June 30th). Property tax revenue is derived from property tax assessments levied within the entire District. The Board of Directors is using these funds to subsidize the Water and Sewer Enterprise Fund operations. The District relies upon the competency of the County of El Dorado for assessing the property tax and establishing a lien date, and for billing, collecting and distributing its share of the property tax revenue.

O. Restricted Resources

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

P. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Q. Net Position

Net position represents the residual interest in District assets and deferred outflows after liabilities and deferred inflows are deducted. Net position is presented in three broad components: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets includes capital assets, net of accumulated depreciation, and outstanding principal balances of debt and related deferred outflows and inflows attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Operating losses outside of depreciation are funded by operating and capital reserves.

R. Comparative Information

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District’s financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2021, the District implemented the following accounting and financial reporting standards:

Governmental Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has implemented this statement. See Notes 5 and 16 for the impact on the financial statements

Governmental Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 93

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 97

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a partial component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. There was no significant financial impact to the District as a result of implementation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2022 or later and may be applicable for the District. However, the District has not determined what impact, if any, these pronouncements will have on the financial statements.

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 94

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Governmental Accounting Standards Board Statement No. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for guarantees. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to leases, PPPs and SBITAs are effective for the District's fiscal year ending June 30, 2023 and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the District's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 100

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the District's fiscal year ending June 30, 2024.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for the District's fiscal year ending June 30, 2025.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 consisted of the following:

Cash and cash equivalents:	
Unrestricted:	
Cash on hand	$ 2,450
Unrestricted deposits in financial institutions	1,728,339
Deposits in Local Agency Investment Fund (LAIF)	6,913,761
Deposits in El Dorado County Treasury	853,145
Deposits in California Asset Management Program (CAMP)	403,553
Total unrestricted cash and cash equivalents	9,901,248
Restricted:	
Restricted for debt service payment	1,732,075
Total restricted cash and cash equivalents	1,732,075
Total cash and cash equivalents	11,633,323
Investments:	
Unrestricted:	
Federal agency and instrumentalities	4,782,293
U.S. corporate debt	8,419,152
Asset backed securities	5,184,779
Supranationals	878,608
Municipal bonds	1,352,147
U.S. Treasury obligations	12,676,284
Negotiable certificates of deposit	529,090
Total unrestricted investments	33,822,353
Restricted:	
Negotiable certificates of deposit - security deposits	165,000
Total investments	33,987,353
Total cash and investments	$ 45,620,676

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 Years	None	None
Federal agency and instrumentalities			
Callable	5 Years	25%	None
Asset backed securities	5 Years	20%	None
Other	5 Years	None	None
Supranationals	5 Years	30%	None
Municipal bonds	5 Years	None	None
U.S. corporate debt	5 Years	30%	10%
Negotiable certificates of deposit	5 Years	30%	10%
Commercial paper	270 days	25%	10%
Bank deposits	N/A	20%	10%
Bankers' acceptances	180 days	40%	10%
Pooled investment funds			
LAIF	N/A	None	None
CAMP	N/A	None	None
El Dorado County pool	N/A	None	None
Money market funds	N/A	20%	10%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One way the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities. A portion of the portfolio is always maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for the District's operations and capital improvement program.

In addition, the Investment Policy limits the purchase of securities to those with maturities of five years or less. Longer investments require prior authorization of the Board of Directors. Certain investments that are highly sensitive to interest rate fluctuations are prohibited by the Investment Policy.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2022:

		Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1	1-2	3-5
Federal agency and instrumentalities	$ 4,782,293	$ 452,721	$ 3,591,480	$ 738,092
U.S. corporate debt	8,419,152	1,111,462	2,414,523	4,893,167
Asset backed securities	5,184,779	-	880,545	4,304,234
Supranationals	878,608	-	226,297	652,311
Municipal bonds	1,352,147	298,023	909,064	145,060
U.S. Treasury obligations	12,676,284	-	5,681,923	6,994,361
Negotiable certificates of deposit	694,090	529,091	-	164,999
	$ 33,987,353	$ 2,391,297	$ 13,703,832	$ 17,892,224

As provided in the Investment Policy, the District should target a maximum allocation of 25% to callable Federal agency securities.

Concentration of Credit Risk

Concentration of Credit risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. To limit this risk, the District places a limit on the amount that can be invested in any one issuer to the lessor of the amount stipulated by the California Government Code or 10% of investments, with the exception of U.S. Treasury obligation bonds, U.S. Agency securities, and pooled investment funds.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Presented below is the actual rating as of June 30, 2022 for each investment type.

		Rating as of Fiscal Year End	
Investment Type	Total	S&P	N/A
Federal agency and instrumentalities	$ 4,782,293	AA+	
Municipal bonds	9,895	A+	
Municipal bonds	156,488	AA	
Municipal bonds	65,390	AA-	
Municipal bonds	490,315	AA+	
Municipal bonds	438,289	AAA	
Municipal bonds	191,770		Not rated
U.S. corporate debt	1,906,251	A	
U.S. corporate debt	2,699,238	A-	
U.S. corporate debt	1,665,381	A+	
U.S. corporate debt	714,324	AA	
U.S. corporate debt	522,179	AA-	
U.S. corporate debt	215,963	AA+	
U.S. corporate debt	695,816	BBB+	
Asset-backed security	4,361,240	AAA	
Asset-backed security	823,539		Not rated
Supranationals	878,608	AAA	
U.S. Treasury obligations	12,676,284	AA+	
Negotiable certificates of deposit	259,840	A-1	
Negotiable certificates of deposit	269,250	A-1+	
Negotiable certificates of deposit	165,000		Not rated
	$ 33,987,353		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's Investment Policy requires the financial institution to either collateralize the deposits or cover them with Federal deposit insurance. The District's cash and deposits in financial institutions, totaling $2,797,825 as of June 30, 2022, are secured by federal depository insurance for $415,000 with the remainder covered by collateral held by an agent of the pledging bank in the District's name.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 1 and 3 inputs.

Following is a description of the valuation methodologies used to estimate the fair value of investments. There have been no changes in the valuation techniques used at June 30, 2022. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while District management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

U.S. Treasuries, Government Agencies, Corporate Bonds, Municipal Bonds, Asset Backed Securities, Negotiable Certificates of Deposit and Supranationals: Fair values are based on quoted market prices for similar securities in markets that are not active, and model-based techniques for which all significant assumptions are observable in the market, resulting in a level 2 valuation.

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2022.

	Level 1	Level 2	Level 3	Total
Federal agency and instrumentalities	$ -	$ 4,782,293	$ -	$ 4,782,293
U.S corporate debt	-	8,419,152	-	8,419,152
Asset backed securities	-	5,184,779	-	5,184,779
Supranationals	-	878,608	-	878,608
Municipal bonds	-	1,352,147	-	1,352,147
U.S. Treasury obligations	-	12,676,284	-	12,676,284
Negotiable certificates of deposit	-	694,090	-	694,090
Total assets at fair value	$ -	$ 33,987,353	$ -	$ 33,987,353

NOTE 3: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Short-term receivables at June 30, 2022 consisted of the following:

	Sewer	Water	Total
Customer receivables	$ 499,208	$ 1,124,780	$ 1,623,988
Other receivables	137,111	327,139	464,250
Allowance for doubtful accounts	(101,811)	(77,615)	(179,426)
Accounts receivable, net of allowance	$ 534,508	$ 1,374,304	$ 1,908,812
Due from Federal Government	$ 497,197	$ 524,399	$ 1,021,596
Due from State Government	117,572	158,237	275,809
Due from El Dorado County	-	16,000	16,000
Due from governmental agencies	$ 614,769	$ 698,636	$ 1,313,405

Long-term receivables at June 30, 2022 consisted of the following:

	Sewer	Water	Total
Customer receivables	$ 561,245	$ -	$ 561,245
Due from State Government	73,020	73,020	146,040
Accounts receivable	$ 634,265	$ 73,020	$ 707,285

Long-term customer receivables are submitted to the County of El Dorado for collection through a special property tax assessment or if unpaid, ultimately through foreclosure on the property.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	July 1, 2021	Additions	Retirements	Transfers	June 30, 2022
Capital assets not being depreciated					
Land and easement	$ 25,131,228	$ -	$ -	$ -	$ 25,131,228
Water rights	1,668,308	-	-	-	1,668,308
Construction in progress	10,938,508	7,273,777	(235,757)	(4,622,258)	13,354,270
Total capital assets not being depreciated	37,738,044	7,273,777	(235,757)	(4,622,258)	40,153,806
Capital assets being depreciated					
Plant and equipment	372,194,466	6,562,261	(1,497,439)	4,622,258	381,881,546
Less accumulated depreciation					
Plant and equipment	(177,583,042)	(9,951,840)	1,497,023	-	(186,037,859)
Total capital assets being depreciated, net	194,611,424	(3,389,579)	(416)	4,622,258	195,843,687
Capital assets, net	$ 232,349,468	$ 3,884,198	$ (236,173)	$ -	$ 235,997,493

NOTE 4: CAPITAL ASSETS (CONTINUED)

Construction in progress as of June 30, 2022 consisted of the following:

Al Tahoe Pump St Rehab	$ 184,489
Bijou #2 & #4 Waterline Replacement	1,509,814
Blower System Upgrades	306,650
Collection System Master Plan	493,751
Keller-Heavenly System Improvements	3,086,870
LPPS Pump #1 New	340,681
Master Plan-Alpine County	685,013
Meter Installation Final Phase	242,092
Paloma Well Rehab 2021	246,283
Pioneer Tr Waterline Golden Bear to Pine Valley	115,653
Replace PRV, Price Road	165,483
Replace PRV, Susquehana	258,539
SCADA Upgrades	155,454
Secondary Clarifier #1 Rehab	423,540
Secondary Clarifier #2 Rehab	443,812
Tahoe Keys Sewer PS Rehab	1,651,767
Tallac Creek Sewer Crossing	244,438
Tanks Backup Power	139,319
Upper Truckee Sewer PS Rehab	497,939
Water System Optimization Plan	323,492
Waterline - Herbert Walkup Ph1	240,637
Waterline Replacement-Bowers Ave	940,088
Wildwood intercept	147,084
Other projects	511,382
	$ 13,354,270

Depreciation expense for the year ended June 30, 2022 was charged to the different activities as follows:

Sewer	$ 5,423,951
Water	4,527,889
	$ 9,951,840

NOTE 5: LEASES RECEIVABLE

The District is reporting leases receivable of $1,828,484 (split between current amount $77,682 and noncurrent amount of $1,750,802) at June 30, 2022. For 2022, the District reported lease revenue of $19,793 and interest revenue of $740 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
AT&T	$ 634,062	$ 5,920	$ 222
Verizon	1,194,422	13,873	518
Total	$ 1,828,484	$ 19,793	$ 740

AT&T Lease - On September 19, 2021, the District entered into an initial five year lease agreement with AT&T, Inc. for the lease of a certain portion of property owned by the District. Based on this agreement, the District is receiving monthly payments through 2026. There are four extension options of five years each. The District is reasonably certain the lessee will renew this lease for the four extensions.

Verizon Lease - On January 25, 2019, the District entered into an initial five year lease agreement with Verizon Communications, Inc. for the lease of a certain portion of property owned by the District. Based on this agreement, the District is receiving monthly payments through 2024. There are four extension options of five years each. The District is reasonably certain the lessee will renew this lease for the four extensions.

At June 30, 2022, future minimum lease payments due to the District are as follows:

Year Ending June 30	Amount
2023	$ 57,457
2024	59,180
2025	60,956
2026	62,785
2027	64,668
Thereafter	1,548,530
Total lease payments	1,853,576
Less interest	(25,092)
Present value of leases receivable	1,828,484

NOTE 6: UNEARNED REVENUE

Unearned revenue represents revenues that had been collected or billed, but not yet earned. Unearned revenue consisted of the following at June 30, 2022:

	Sewer	Water	Total
Grant advance for generator	$ 192,800	$ -	$ 192,800
Meters sold but not issued	-	18,113	18,113
	$ 192,800	$ 18,113	$ 210,913

NOTE 7: LONG TERM LIABILITIES

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	July 1, 2021	Additions	Reductions	June 30, 2022	Current Portion
2012 Sewer Refunding	$ 3,395,431	$ -	$ (942,553)	$ 2,452,878	$ 964,356
2013 Sewer Refunding	4,108,559	-	(590,377)	3,518,182	604,989
SRF Luther Pass Power	4,140,401	-	(123,807)	4,016,594	125,788
SRF Diamond Valley Ranch Irrigation Imp.	7,128,911	-	(213,170)	6,915,741	216,581
SRF Aeration Basin #2 Rehabilitation	985,065	-	(29,053)	956,012	29,547
SRF Primary Clarifier #1 Rehabilitation	533,846	-	(15,744)	518,102	16,013
Chase Bank Sewer Loan	3,969,838	-	(307,272)	3,662,566	314,007
2021 Wastewater Revenue Refunding Bond	5,745,000	-	(510,000)	5,235,000	465,000
Premium on bond	917,622	-	(86,704)	830,918	-
2013 Water Refunding	3,851,575	-	(390,343)	3,461,232	399,254
SRF Meters Phase 1	2,977,649	-	(116,771)	2,860,878	116,771
SRF Meters Phase 2	930,775	-	(49,714)	881,061	50,512
SRF Meters Phase 3 - 5	7,734,247	2,094,807	(268,322)	9,560,732	253,979
SRF Waterline Replacement	3,294,799	-	(70,561)	3,224,238	91,383
Keller Heavenly Water System Improvement Project	-	904,553	-	904,553	-
Total	$ 49,713,718	$ 2,999,360	$ (3,714,391)	$ 48,998,687	$ 3,648,180

A description of the long-term liabilities at June 30, 2022 follows:

2012 Sewer Refunding

2012 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due September 1, 2024, payable $507,630 semi-annually, including interest at 2.3%. The original amount of the debt was $10,605,000 and was used for construction of sewer infrastructure improvements and was also used to repay the 2004 Sewer Revenue Certificates of Participation, which funded sewer infrastructure improvements. For the year ended June 30, 2022, principal and interest payments accounted for 3.9% of total sewer revenues.

2013 Sewer Refunding

2013 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 2027, payable $343,919 semi-annually, including interest at 2.46%. The original amount of the debt was $8,400,000 and was used to repay the 2007 Sewer Installment Sale Agreement, which funded sewer infrastructure improvements. For the year ended June 30, 2022, principal and interest payments accounted for 2.6% of total sewer revenues.

SRF Luther Pass Power

2015 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due August 30, 2047, payable $190,054 annually, including interest of 1.6%. The original amount of the debt was $4,444,057 and was used for construction of Luther Pass Pump Station upgrades. For the year ended June 30, 2022, principal and interest payments accounted for 0.7% of total sewer revenues.

SRF Diamond Valley Ranch Irrigation Improvement

2015 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable $322,058 annually, including interest of 1.6%. The original amount of the debt was $8,860,890 and was used for construction of the Diamond Valley Ranch Irrigation improvements. For the year ended June 30, 2022, principal and interest payments accounted for 1.3% of total sewer revenues.

NOTE 7: LONG TERM LIABILITIES (CONTINUED)

SRF Aeration Basin #2 Rehabilitation

2018 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable $45,799 annually, including interest of 1.7%. The original amount of the debt was $1,070,077 and was used for the rehabilitation of aeration basin #2. For the year ended June 30, 2022, principal and interest payments accounted for 0.1% of total sewer revenues.

SRF Primary Clarifier #1 Rehabilitation

2018 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable $24,820 annually, including interest of 1.7%. The original amount of the debt was $580,153 and was used for the rehabilitation of primary clarifier #1. For the year ended June 30, 2022, principal and interest payments accounted for 0.1% of total sewer revenues.

Chase Bank Sewer Loan

2017 Installment Sale Agreement with Chase Bank, secured by a first lien against all sewer revenues, due December 1, 2032, payable $196,074 semi-annually, including interest at 2.18%. The original amount of the debt was $5,000,000 and was used for construction of the sewer plant generator and building. For the year ended June 30, 2022, principal and interest payments accounted for 2.8% of total sewer revenues.

2021 Wastewater Revenue Refunding Bond

2021 Wastewater Revenue Refunding Bond, secured by a first pledge of net revenues of the wastewater system, due August 1, 2031, payable semi-annually, including interest at 2 - 4%. The original amount of the bond was $5,745,000 and was used for prepayment of the outstanding principal balances of three loans from the California State Water Resources Control Board and prepayment of Installment Sale Agreement with BBVA Compass Bank, all of which funded wastewater infrastructure improvements. For the year ended June 30, 2022, principal and interest payments accounted for 2.8% of total sewer revenues.

2013 Water Refunding

2013 Water Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all water revenues, due January 30, 2030, payable $237,786 semi-annually, including interest at 2.27%. The original amount of the debt was $10,000,000 and was used for construction of water infrastructure improvements and was also used to repay the 2001 Water Refunding and 1999 Installment Sale Agreement, both of which funded water infrastructure improvements. For the year ended June 30, 2022, principal and interest payments accounted for 2.7% of total water revenues.

SRF Meters Phase 1

2014 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due January 1, 2047, payable $58,385 semi-annually, including interest of 0%. The original amount of the debt was $3,503,116 and was used for installation of water meters. Imputed interest for this loan is not material. For the year ended June 30, 2022, principal and interest payments accounted for 0.7% of total water revenues.

SRF Meters Phase 2

2017 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due July 1, 2037, payable $32,204 semi-annually, including interest of 1.6%. The original amount of the debt was $1,098,593 and was used for installation of water meters. For the year ended June 30, 2022, principal and interest payments accounted for 0.7% of total water revenues.

NOTE 7: LONG TERM LIABILITIES (CONTINUED)

SRF Meters Phase 3 -5

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for phases 3 through 5 of the water meter installation project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of $14,010,534. Annual principal and interest payments will occur each April 22, commencing April 15, 2022. This loan accrues interest at a rate of 1.8% annually. As of June 30, 2022 the District incurred a total of $13,829,053 in Phase 3 - 5 costs, of which $4,000,000 has been forgiven.

SRF Waterline Replacement

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for the waterline replacement project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of $3,627,005. Semi-annual principal payments will occur each January 1 and July 1, commencing January 1, 2020. The loan accrues interest at a rate of 1.7% annually. Final payment is due July 1, 2049. For the year ended June 30, 2022, principal and interest payments accounted for 0.8% of total water revenues.

Keller Heavenly Water System Improvement Project

In 2021, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for the drinking water construction project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of $5,500,000. Annual principal payments will occur each October 15, commencing October 15, 2024. The loan accrues interest at a rate of 1.2% annually. Final payment is due October 15, 2043.

Principal and interest maturities of long-term debt are as follows:

	Principal	Interest	Total
Years ending June 30,			
2023	$ 3,648,180	$ 871,470	$ 4,519,650
2024	3,734,655	790,034	4,524,689
2025	3,350,255	714,987	4,065,242
2026	2,914,973	644,009	3,558,982
2027	2,982,550	577,031	3,559,581
2028 - 2032	11,468,521	1,991,486	13,460,007
2033 - 2037	5,794,715	1,370,488	7,165,203
2038 - Thereafter	14,273,920	1,370,488	15,644,408
	$ 48,167,769	$ 8,329,993	$ 56,497,762

Interest charges on debt, including amounts capitalized totaling $113,792, for the year ended June 30, 2022 was $945,146.

Debt covenants for the installment sale agreements to BBVA Compass Bank and the California State Water Resource Control Board Revolving Fund include thresholds for minimum net water and sewer revenue and maximum outstanding debt obligations. The District is in compliance with the requirements as of June 30, 2022.

NOTE 8: COMPENSATED ABSENCES

Compensated absences balance and activity for the year ended June 30, 2022 were as follows:

	July 1, 2021	Additions	Reductions	June 30, 2022	Current Portion
Compensated absences	$ 3,384,787	$ 2,599,604	$ (2,621,988)	$ 3,362,403	$ 1,520,856

NOTE 9: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety and miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the safety or miscellaneous pools. The District sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

The District has one local Miscellaneous Retirement Benefit Plan, with two tiers. Tier I benefits for members hired before January 1, 2013 are under the 2.7% @ 55 retirement formula, and Tier II benefits for members hired on or after January 1, 2013 are under the 2% at 62 retirement formula.

Tier I final compensation is calculated using the highest average pay rate and special compensation during a three year period. Tier I employee contributions are shared by the employer and employee. This tier and retirement formula is closed to employees hired on or after January 1, 2013 with the exception of employees considered to be Classic Members with a break in CalPERS qualified employment of less than 6 months and who did not receive a refund of their contributions on deposit with the retirement fund. Tier II final compensation is calculated using the highest average pay rate and special compensation during any consecutive three-year period. Tier II employee contributions are paid by the employee.

The rate plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous Plan	
	Hired prior to January 1, 2013	Hired on or after January 1, 2013
Benefit Formula	2.7% at 55	2.0% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rate	8.00%	6.25%
Required Employer Contribution Rate	13.35%	7.59%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the year ended June 30, 2022 were $2,202,759.

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the District reported a net pension liability of $5,830,236 for its proportionate share of the net pension liability of the Plan.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's' long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability of the Plan as of June 30, 2022 and 2021 was follows:

Proportion - June 30, 2021	0.28265 %
Proportion - June 30, 2022	0.30705 %
Change - increase	0.02440 %

For the year ended June 30, 2022, the District recognized pension expense of $1,240,562. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 2,202,759	$ -
Change in employer's proportion	534,848	-
Difference between actual and expected experience	653,798	-
Changes in assumptions	-	-
Difference between employer contributions and the employer's proportionate share of the risk pool's contributions	49,188	11,067
Net difference between projected and actual earning on plan investments	-	5,089,488
Total	$ 3,440,593	$ 5,100,555

$2,202,759 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2023	$ (624,543)
2024	(788,672)
2025	(1,043,034)
2026	(1,406,472)

NOTE 9: PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies

(1): The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions

For the measurement periods June 30, 2021, 2020, and 2019 there were no changes of assumptions. For the measurement period June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. For the measurement period June 30, 2017, the accounting discount rate was lowered from 7.65 percent to 7.15 percent. There were no changes of assumptions during the measurement period June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Using historical and forecasted information for all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 9: PENSION PLAN (CONTINUED)

The expected real rates of return by asset class are as follows:

Asset class	Assumed asset allocation	Real return years 1-10 (1)	Real return years 11+ (2)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92)%

(1) An expected inflation of 2.00% used for this period.
(2) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Net pension liability	$13,344,520	$5,830,236	$(381,715)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. The annual financial report can be obtained at calpers.ca.gov.

NOTE 10: DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (the "457 Plan") created in accordance with Internal Revenue Code Section 457. The 457 Plan permits the employees to defer a portion of their salary until future years. A third party administrator maintains deferrals in a trust capacity. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Participants may elect to contribute, through salary reductions, up to the IRC (g) limit ($20,500 in 2022).

The 457 Plan assets totaled $17,635,011 at June 30, 2022. Plan assets consist of investments in mutual funds, which are held in trust and are considered protected from the general creditors of the District.

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. To protect the District from these risks, it is a member of a risk management program as discussed in Note 13. The District carries commercial insurance to protect against the risk of errors and omissions. For each of the three most recent years, settlement of claims has not exceeded insurance coverage.

NOTE 12: COMMITMENTS AND CONTINGENCIES

A. Contractual Obligations

At June 30, 2022, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately $17.4 million.

B. Contingencies

The District has received federal and state grants for specific purposes that are subject to review and audit by the federal and state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

The District is also subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the District.

C. Public Health Emergency

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. Management has performed an evaluation of certain financial statement line items such as investments, accounts receivable, accounts payable, and accrued expenses to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported on the financial statements are properly valued as of June 30, 2022. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future negative impacts to the financial condition of the District.

NOTE 13: JOINT POWERS AUTHORITY

The District is a member of a joint powers authority, Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA), for the operation of a common risk management and insurance program. The program covers workers' compensation, property and liability insurance. The membership includes public water agencies within California. ACWA JPIA is governed by a Board of Directors consisting of representatives from member agencies, which controls the operations of the ACWA JPIA, including selection of management and approval of operating budgets.

The following is a summary of the most current audited financial information for ACWA JPIA as of September 30, 2021 (the most recent information available):

Total assets	$ 271,770,359
Total deferred outflows of resources	1,189,142
Total liabilities	123,558,690
Total deferred inflows of resources	(409,721)
Net assets	149,810,532
Total income	200,883,781
Total expense	174,760,456

If the District's deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference, subject to minimum and maximum amounts, can take place. Coverage under this program has not changed and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

The District is also a member of a joint powers authority, California Asset Management Program (CAMP), which provides professional investment services to California public agencies. Members of CAMP can participate in the Cash Reserve Portfolio. CAMP is governed by a Board of Trustees, which is made up of experienced local government finance directors, treasurers, and school business officials. Trustees control the operation of CAMP, including formation and implementation of its investment and operating policies.

NOTE 13: JOINT POWERS AUTHORITY (CONTINUED)

The following is a summary of the most current audited financial information for the CAMP portfolio as of December 31, 2021 (the most recent information available):

Total assets	$ 6,480,406,066
Total liabilities	729,904
Net assets	6,479,676,162
Total income	9,162,924
Total expenses	5,544,465
Net increase in net assets resulting from operations	3,618,459

Complete financial statements for CAMP can be obtained from the PFM Asset Management, LLC at 50 California Street, Suite 2300, San Francisco, California 94111.

The relationships between South Tahoe Public Utility District and the joint powers authorities are such that ACWA JPIA and CAMP are not component units of the District for financial reporting purposes.

NOTE 14: INVESTMENT EARNINGS (LOSS)

Investment earnings (loss) consisted of the following for the year ended June 30, 2022:

Interest income	$ 395,064
Net realized and unrealized losses	(1,593,255)
	$ (1,198,191)

NOTE 15: OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the year ended June 30, 2022:

Professional services	$ 2,330,918
Operating permits	572,479
Chemical supplies	379,046
Office expense	233,893
Insurance and unreimbursed claims	665,681
Travel, meetings, and education	88,802
Research and monitoring	69,822
Equipment and building rent expense	205,592
Fuel expenses	265,993
Taxes, street lighting, and mitigation	128,051
Community incentive	59,087
Dues and certification	119,233
Miscellaneous expense	437,560
	$ 5,556,157

NOTE 16: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

For 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB 87 enhances the relevance and consistency of information of the District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. These changes were incorporated in the Districts 2022 financial statements.

The implementation of GASB Statement No. 87 had the following effect on net position as reported June 30, 2021:

	Business-Type Activities
Net Position July 1, 2020	$ 215,935,138
Adjustments:	
Lease Receivable	1,268,125
Deferred Inflows - Leases	(1,255,841)
Restated Net Position July 1, 2020	215,947,422

NOTE 17: SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2022 through December 2, 2022, the date on which the financial statements were available to be issued. Management has determined no other subsequent events requiring disclosure have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2022
LAST 10 YEARS *

	Measurement Period			
	2021	2020	2019	2018
Proportion of the net pension liability	0.30705 %	0.28265 %	0.27119 %	0.26155 %
Proportionate share of the net pension liability	$ 5,830,236	$ 11,922,413	$ 10,859,922	$ 9,857,219
Covered payroll	$ 10,844,940	$ 10,293,860	$ 9,849,757	$ 9,650,512
Proportionate share of the net pension liability as a percentage of covered payroll	53.76 %	115.82 %	110.26 %	102.14 %
Plan fiduciary net position as a percentage of the total pension liability	88.29 %	75.10 %	75.26 %	75.26 %

Notes to Schedule:

Benefit changes: In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions: In 2021, 2020 and 2019, there were no changes. In 2018, the demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Schedule is intended to show information for ten years. Fiscal year, 2014 was the first year of implementation, therefore only eight years are shown. Additional years' information will be displayed as it becomes available.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
AS OF JUNE 30, 2022
LAST 10 YEARS *

	Measurement Period			
	2017	2016	2015	2014
Proportion of the net pension liability	0.25724 %	0.24871 %	0.25560 %	0.24100 %
Proportionate share of the net pension liability	$ 10,140,589	$ 8,639,873	$ 7,012,372	$ 5,945,128
Covered payroll	$ 9,307,465	$ 9,428,197	$ 8,791,579	$ 8,813,523
Proportionate share of the net pension liability as a percentage of covered payroll	108.95 %	91.64 %	79.76 %	67.45 %
Plan fiduciary net position as a percentage of the total pension liability	73.31 %	74.06 %	78.40 %	79.82 %

SOUTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2022
LAST 10 YEARS *

	Fiscal Year-End			
	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	$ 2,202,759	$ 2,070,278	$ 1,813,910	$ 1,601,072
Contributions in relation to the actuarially determined contributions	2,202,759	2,070,278	1,813,910	1,601,072
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 10,974,014	$ 10,844,940	$ 10,293,860	$ 9,849,757
Contributions as a percentage of covered payroll	20.07 %	19.09 %	17.62 %	16.25 %

* Schedule is intended to show information for ten years. Fiscal year, 2014 was the first year of implementation, therefore only eight years are shown. Additional years' information will be displayed as it becomes available.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)
AS OF JUNE 30, 2022
LAST 10 YEARS *

	Fiscal Year-End			
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 1,446,366	$ 1,369,744	$ 1,278,986	$ 1,545,374
Contributions in relation to the actuarially determined contributions	1,446,366	1,369,744	1,278,986	1,545,374
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 9,650,512	$ 9,307,465	$ 9,428,197	$ 8,791,579
Contributions as a percentage of covered payroll	14.99 %	14.72 %	13.57 %	17.58 %

M·U·N CPAs

MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

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

To the Board of Directors
South Tahoe Public Utility District
South Lake Tahoe, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of South Tahoe Public Utility District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann, Urrutia, Nelson CPA's

Sacramento, California
December 2, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
South Tahoe Public Utility District
South Lake Tahoe, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Tahoe Public Utility District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The District is responsible for preparing a corrective action plan to address the audit finding included in out auditor's report. The District's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mann, Urrutia, Nelson CPAs

Sacramento, California
December 2, 2022

SOUTH TAHOE PUBLIC UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Program Title	Federal AL Number	Contract/ Pass-through Number	Expenditures
U.S. Department of Homeland Security			
Pass-Through State of California Governor's Office of Emergency Services:			
Caldor Fire - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4619-DR-CA	$ 633,707
Pass-Through U.S. Department of Justice			
Blower System Emergency Generator Project	97.039	FEMA-4344-DR-CA	471,117
Backup Power Supply Project	97.039	FEMA-4353-DR-CA	71,720
Total U.S. Department of Homeland Security			1,176,544
U.S. Department of the Interior			
Direct Programs:			
Pressure Reducing Valve Scada Upgrade-Price Road	15.507	R19AP00186	72,500
Pressure Reducing Valve Scada Upgrade-Susquehana	15.507	R21AP10119	75,000
Total U.S. Department of the Interior			147,500
State Water Resources Control Board			
Direct Programs:			
Coronavirus State/Local Fiscal Recovery 2021	21.027	3560000C25/ 3940COVIDARREAR	408,153
Total State Water Resources Control Board			408,153
Total Expenditures of Federal Awards			$ 1,732,197

NOTE 1: SCOPE OF AUDIT PURSUANT TO UNIFORM GUIDANCE

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance provided to South Tahoe Public Utility District under programs of the Federal Government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 2: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the District. The District's reporting entity is defined in Note 1 of the District's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 3: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant and contract revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grants and contracts.

NOTE 4: CLAIMS

The District has received federal grants for specific purposes that are subject to review and audit by the Federal Government. Although such audits could result in expenditure disallowances under the grant terms, any required reimbursements are not expected to be material.

NOTE 5: INDIRECT COSTS

The District elected not to use the 10% de minimus indirect cost rate, and did not charge indirect costs to federal grants during the year ended June 30, 2022.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on basic financial statements	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance?	Yes

Major programs are as follows:

AL Number	Name of Federal Program
97.036	Disaster Declarations Cal OES 4619 - Caldor Fire
21.027	Coronavirus State/Local Fiscal Recovery 2021

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

No current year findings relating to the financial statements which are required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings defined in section 200.516 of the Uniform Guidance.

Finding 2022-001: Water and Wastewater Arrearages Payment Program

Criteria

The California Water and Wastewater Arrearage Payment Program was created to provide relief to water and wastewater systems to cover unpaid bills from customers accrued between March 4, 2020 and June 15, 2021.

Condition

The District claimed arrearages that were accrued outside of the allowable timeframe. In addition, one out of forty customers selected for testing had a claimed amount that was in excess of the allowable arrearage.

Cause

Due to turnover in the customer service department, the sewer and water arrearages were not correctly calculated.

Effect

The District initially claimed arrearages that were not eligible for reimbursement under the program. Upon discovery, the District worked with the State of California to calculate the correct amount and subsequently returned any required funds. However, as a result of testing, we noted an additional amount of $178 that needs to be returned to the State.

Recommendation

We recommend the District review all arrearages claimed to ensure the program guidelines are met and return any additional funds received that do not meet the program guidelines.

Views of Responsible Officials

The District worked with the State of California to correct arrearages that were outside the allowable timeframe, and subsequently returned any required funds. As a result of the additional $178 noted by the auditors, the District is continuing to review the remaining arrearages to insure only allowable amounts have been reimbursed by the State.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

There were no findings to report for the year ended June 30, 2021.