
SOUTH TAHOE PUBLIC UTILITY DISTRICT

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2020

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**SOUTH TAHOE PUBLIC UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2020**

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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 Financial Statements

We have audited the accompanying financial statements of the business-type activities of South Tahoe Public Utility District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Tahoe Public Utility District, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2019 Summarized Comparative Information

We have previously audited the District's 2019 basic financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 10, 2020, on our consideration of South Tahoe Public Utility 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 South Tahoe Public Utility 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 South Tahoe Public Utility District's internal control over financial reporting and compliance.



Sacramento, California
December 10, 2020

**South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2020**

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 2019-20, the District invested nearly \$3.8 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 2019-20, approximately 10,000 additional meters have been installed. These additional installations increased the portion of the water system metered to approximately 90%. The amount spent on meter installations in fiscal year 2019-20 was \$2.1 million. The remaining unmetered service connections will have meters installed within the next two years and will continue to be funded with 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 principle forgiveness.

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 2019-20, the District spent \$0.3M on waterline replacements.

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2019-20, \$4.9 million was invested in sewer infrastructure improvements. One significant project completed during the year was the replacement of the aged wastewater treatment plant emergency generator. Completion of this project greatly improves the long-term reliability of the sewer treatment systems. This project was funded with a low-cost loan through the California State Water Resources Control Board.

- During the year \$9.5 million was invested in sewer and water infrastructure and equipment.
- Net position of the District increased \$8.5 million or 4.1%.
- The Sewer and Water Enterprise Funds' income is \$4,191,690 and \$4,300,293, respectively.
- Operating revenue is up 4.7% due to an increase in service charge rates and development related charges.
- Operating expenses less depreciation are up 3.4% from the prior year, but came in just 1.5% over budget.
- In fiscal year 2019-20, the District recognized competitive grants totaling more than \$4.6 million, following more than \$.4 million awarded in 2018-19 and \$.9 million awarded in 2017-18. These grants will fund, among other things, waterline replacements, water pumping facilities, and water conservation programs.

South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
For the year ended June 30, 2020

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.

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 accounts 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

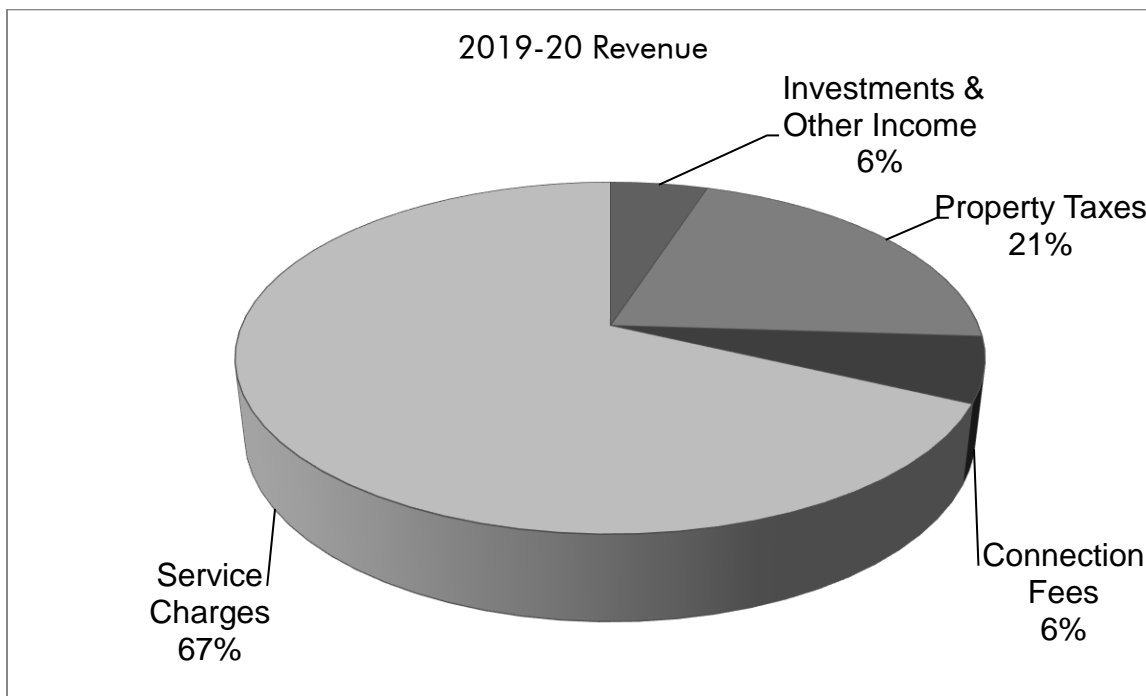
The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, 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. Previously 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 inflows/deferred outflows. The net pension liability reported in the Statement of Net Position for years ended June 30, 2020 and 2019 was \$10.9 million and \$9.9 million respectively. For more information on the District's pension plan, see Note 9 of the Notes to the Financial Statements.

	<u>Net Position</u>			
	<i>(in thousands)</i>			
	June 30		Change	Change
2020	2019			
Current and other	\$ 64,486	\$ 57,735	\$ 6,751	11.7%
Capital assets	229,670	227,823	1,847	0.8%
Total assets	<u>\$294,156</u>	<u>\$285,558</u>	<u>\$8,598</u>	<u>3.0%</u>
Deferred outflows of resources	\$3,861	\$4,126	(\$265)	(6.4%)
Debt outstanding	\$ 51,040	\$ 50,782	\$258	0.5%
Net Pension Liability	10,860	9,857	1,003	10.2%
Other liabilities	11,194	12,787	(1,593)	(12.5%)
Total liabilities	<u>\$ 73,094</u>	<u>\$ 73,426</u>	<u>(\$ 332)</u>	<u>(0.5%)</u>
Deferred inflows of resources	\$8,988	\$8,815	\$173	2.0%
Net investment in capital assets	\$179,340	\$174,768	\$ 4,572	2.6%
Restricted for security deposits	165	165	0	0.0%
Restricted for capital asset purchases	3,000	3,000	0	0.0%
Restricted for debt service payment	2,413	2,414	(1)	0.0%
Unrestricted	31,017	27,096	3,921	14.5%
Total net position	<u>\$215,935</u>	<u>\$207,443</u>	<u>\$8,492</u>	<u>4.1%</u>

South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
For the year ended June 30, 2020

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2019-20 is \$42.4 million, a \$1.8 million or a 4.5% increase from the prior year. The 2020 service charge revenue is up from the prior year, reflecting a 5.0% increase in sewer rates, a 4.0% increase in water rates. Connection fees are up \$0.4 million or 17.4% reflecting an increase in both commercial and residential development. Property tax revenue is up \$0.5 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 5.5% for 2020-21. Investment income is down slightly due to a lower interest rate environment and recorded decreases to the fair market value of investments, while other income is nearly unchanged from the prior year.



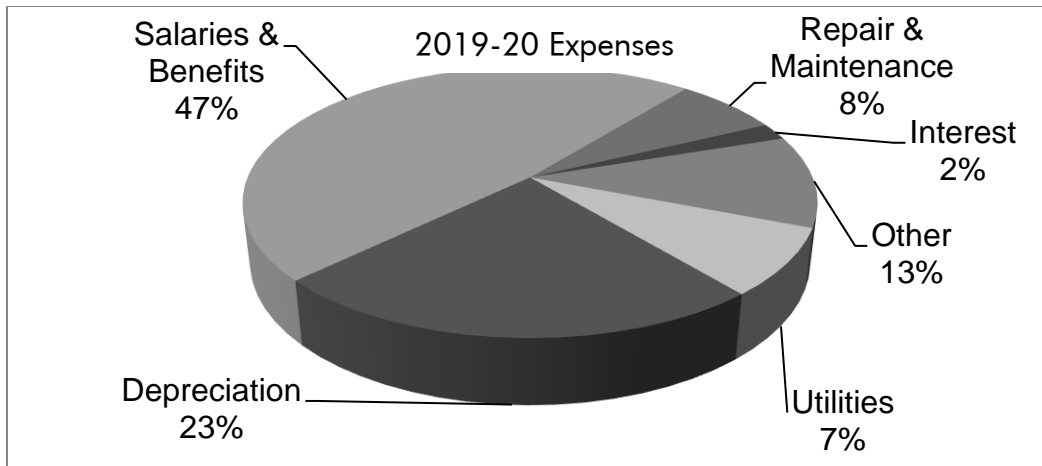
Revenues
(in thousands)

	June 30		Change	Change
	2020	2019		
Service charges	\$28,239	\$27,225	\$ 1,014	3.7%
Connection fees	2,665	2,270	395	17.4%
Other	363	362	1	0.3%
Total operating revenue	31,267	29,857	1,410	4.7%
Property taxes	8,848	8,337	511	6.1%
Investments	1,478	1,575	(97)	(6.2%)
Other	828	817	11	1.3%
Total non-operating revenue	11,154	10,729	425	4.0%
Total revenue	\$42,421	\$40,586	\$ 1,835	4.5%

**South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
For the year ended June 30, 2020**

Revenue and Expenses - Continued

Total operating expenses for the current year are \$36.9 million, up \$.9 million from the prior year. The increase to salaries and benefits was \$0.6 million, or 3.4%. 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 2020 was \$1,294,904 compared to \$923,356 in the prior year. The GASB 68 pension expense adjustment for fiscal year 2020 was \$1.2 million compared to \$.8 million in the prior year. The year-over-year change of the required GASB 68 adjustment to pension expense was \$0.4 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 2020 increase over the prior year was \$729,267 or 4.2%. The increase to salaries of approximately \$586,000 represents a 2.5% cost of living increase, 5% step increases for employees who are not at the top of their wage scale, and implementation of the first step of a salary survey completed in 2019. The remaining increase of \$143,000 is due to an increase in retirement benefit expenses. CalPERS classic plan employer rates increased from 17.889% to 20.640% of salaries. Although new assets were put into service during the year, depreciation expense is slightly down due to the abandonment of old sewer lines. Utilities, which fluctuate year to year due to winter severity, are down nearly 5%. Repair and maintenance expenditures, which increased 19%, fluctuate year to year based on unexpected or planned projects. 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 in the prior year included a two-year accrual of interest on an inter-fund loan, which is why total interest expense is down 21% in the current year.



<u>Expenses</u> (in thousands) June 30				
	2020	2019	Change	Change
<u>Operating expenses:</u>				
Salaries and benefits	\$17,928	\$17,331	\$ 597	3.4%
Depreciation	8,812	8,856	(44)	(0.5%)
Utilities	2,677	2,813	(136)	(4.8%)
Repair and maintenance	2,932	2,462	470	19.1%
Other	4,573	4,588	(15)	(0.3%)
Total operating expenses	36,922	36,050	872	2.4%
<u>Non-operating expenses:</u>				
Interest expense	805	1,019	(214)	(21.0%)
Other	254	251	3	1.2%
Total non-operating expenses	1,059	1,270	(211)	(16.6%)
Total expenses	\$37,981	\$37,320	\$ 661	1.8%

South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
For the year ended June 30, 2020

Revenue and Expenses - Continued

The fiscal year 2019-20 income before capital contributions is \$4.4 million as compared to the budgeted income of \$.9 million and the actual prior year income of \$3.3 million. For the year, capital contributions increased net position an additional \$4.1 million.

	<u>Changes in Net Position</u>			
	<i>(in thousands)</i>			
	June 30		Change	Change
2020	2019			
Beginning net position	\$207,443	\$204,113	\$3,330	1.6%
Income before contributions	4,440	3,266	1,174	35.9%
Capital contributions	4,052	64	3,988	6,231.3%
Changes in net position	8,492	3,330	5,162	155.0%
Ending net position	<u>\$215,935</u>	<u>\$207,443</u>	<u>\$8,492</u>	<u>4.1%</u>

Capital Assets

The District's investment in its sewer and water systems is \$230 million at the end of the fiscal year net of depreciation. During the year, more than \$9 million was spent on new infrastructure and equipment. \$1.7 million was spent on water system improvements, not including water meter installations. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. For the year \$4.9 was invested in sewer system improvements including pumping and treatment upgrades, line replacement, and recycled water projects.

	<u>Capital Assets</u>					
	<i>(net of depreciation, in thousands)</i>					
	Sewer		Water		Total	
	2020	2019	2020	2019	2020	2019
Land and easements	\$ 22,843	\$ 22,843	\$ 1,903	\$ 1,903	\$ 24,746	\$ 24,746
Water rights	-	-	1,668	1,668	1,668	1,668
Plant and equipment	87,416	84,149	93,938	92,555	181,354	176,704
Construction in Progress	18,272	20,550	3,630	4,155	21,902	24,705
Total	<u>\$128,531</u>	<u>\$127,542</u>	<u>\$101,139</u>	<u>\$100,281</u>	<u>\$229,670</u>	<u>\$227,823</u>

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

South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
For the year ended June 30, 2020

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 last time the District received a formal credit rating in 2012, Fitch Ratings affirmed the District's ratings of AA+ for both Water and Sewer Funds, while Standard and Poor's increased its rating for the Sewer Fund to AA from AA- and affirmed the Water Fund rating of AA-. At year-end, the District had \$51.0 million in installment sales and loans outstanding as detailed below. As always, grant opportunities and low-interest subsidized loans are pursued by the District.

Outstanding Debt at Year End
(in thousands)

	June 30,	
	2020	2019
<u>Sewer Enterprise Fund:</u>		
California State Revolving Loan Fund (secured by sewer revenue)	1,590	1,713
California State Revolving Loan Fund (secured by sewer revenue)	644	685
California State Revolving Loan Fund (secured by sewer revenue)	872	933
California State Revolving Loan Fund (secured by sewer revenue)	7,339	7,545
California State Revolving Loan Fund (secured by sewer revenue)	4,262	4,382
Sewer Refunding (secured by sewer revenue)	4,685	5,247
Sewer Refunding (secured by sewer revenue)	4,317	5,217
Installment Sale Agreement (secured by sewer revenue)	4,312	4,609
Installment Sale Agreement (secured by sewer revenue)	4,270	4,565
California State Revolving Loan Fund (secured by sewer revenue)	1,014	1,042
California State Revolving Loan Fund (secured by sewer revenue)	549	565
Total sewer enterprise fund	33,854	36,503
 <u>Water Enterprise Fund:</u>		
Water Refunding (secured by water revenue)	4,233	4,752
California State Revolving Loan Fund (secured by water revenue)	3,094	3,211
California State Revolving Loan Fund (secured by water revenue)	980	1,028
California State Revolving Loan Fund (secured by water revenue)	6,972	3,357
California State Revolving Loan Fund (secured by water revenue)	1,907	1,931
Total water enterprise fund	17,186	14,279
Total debt	\$ 51,040	\$ 50,782

For additional information on Outstanding Debt, see Note 6 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, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2020	2019
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents (Note 2)	\$ 8,988,455	\$ 1,417,852	\$ 10,406,307	\$ 12,828,446
Investments (Note 2)	2,167,804	1,067,724	3,235,528	2,355,659
Accounts receivable, net of allowance (Note 3)	663,363	1,407,572	2,070,935	1,211,314
Due from governmental agencies (Note 3)	239,258	352,843	592,101	357,119
Property tax receivable	8,555,859	-	8,555,859	8,321,427
Interest receivable	236,706	51,344	288,050	365,146
Other current assets	245,229	790,016	1,035,245	1,081,687
Interfund loan (Note 8)	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>3,000,000</u>
Total current assets	<u>24,096,674</u>	<u>5,087,351</u>	<u>29,184,025</u>	<u>29,520,798</u>
Noncurrent assets				
Restricted assets:				
Cash and cash equivalents (Note 2)	2,209,789	698,388	2,908,177	2,900,044
Certificate of deposit (Note 2)	<u>50,000</u>	<u>115,000</u>	<u>165,000</u>	<u>165,000</u>
Total restricted assets	<u>2,259,789</u>	<u>813,388</u>	<u>3,073,177</u>	<u>3,065,044</u>
Long-term accounts receivable (Note 3)	182,428	-	182,428	588,485
Due from governmental agencies, net of allowance (Note 3)	73,020	73,020	146,040	146,040
Investments (Note 2)	21,373,383	10,527,189	31,900,572	24,414,766
Capital assets, net of accumulated depreciation (Note 4)	<u>128,531,080</u>	<u>101,138,504</u>	<u>229,669,584</u>	<u>227,823,101</u>
Total noncurrent assets	<u>152,419,700</u>	<u>112,552,101</u>	<u>264,971,801</u>	<u>256,037,436</u>
Total Assets	<u>176,516,374</u>	<u>117,639,452</u>	<u>294,155,826</u>	<u>285,558,234</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Refunding loan costs	156,500	-	156,500	181,990
Changes in the net pension liability (Note 9)	<u>2,255,266</u>	<u>1,448,927</u>	<u>3,704,193</u>	<u>3,944,349</u>
Total Deferred Outflows of Resources	<u>\$ 2,411,766</u>	<u>\$ 1,448,927</u>	<u>\$ 3,860,693</u>	<u>\$ 4,126,339</u>

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION (continued)
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2020	2019
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable and other liabilities	\$ 1,778,347	\$ 953,264	\$ 2,731,611	\$ 3,702,116
Unearned revenue (Note 5)	-	20,193	20,193	934,024
Accrued expenses	949,757	305,440	1,255,197	1,417,384
Accrued interest payable	342,681	181,620	524,301	591,784
Deposits payable	-	313,000	313,000	-
Interfund loan (Note 8)	-	3,000,000	3,000,000	3,000,000
Compensated absences - current portion (Note 7)	673,854	490,288	1,164,142	1,113,498
Long term liabilities - current portion (Note 6)	<u>2,712,259</u>	<u>597,583</u>	<u>3,309,842</u>	<u>3,297,980</u>
Total current liabilities	<u>6,456,898</u>	<u>5,861,388</u>	<u>12,318,286</u>	<u>14,056,786</u>
Noncurrent liabilities				
Compensated absences - long term portion (Note 7)	1,284,440	901,054	2,185,494	2,028,315
Long term liabilities - long term portion (Note 6)	31,141,932	16,588,008	47,729,940	47,483,706
Net pension liability (Note 9)	<u>6,615,726</u>	<u>4,244,196</u>	<u>10,859,922</u>	<u>9,857,219</u>
Total long-term liabilities	<u>39,042,098</u>	<u>21,733,258</u>	<u>60,775,356</u>	<u>59,369,240</u>
Total Liabilities	<u>45,498,996</u>	<u>27,594,646</u>	<u>73,093,642</u>	<u>73,426,026</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property tax receivable	8,555,859	-	8,555,859	8,321,427
Changes in the net pension liability (Note 9)	<u>221,155</u>	<u>210,725</u>	<u>431,880</u>	<u>493,965</u>
Total Deferred Inflows of Resources	<u>8,777,014</u>	<u>210,725</u>	<u>8,987,739</u>	<u>8,815,392</u>
<u>NET POSITION</u>				
Net Investment in capital assets	95,328,096	84,011,422	179,339,518	174,768,446
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for debt service payment	1,715,082	698,388	2,413,470	2,413,470
Unrestricted - designated for capital asset purchases	-	3,000,000	3,000,000	3,000,000
Unrestricted	<u>27,558,952</u>	<u>3,458,198</u>	<u>31,017,150</u>	<u>27,096,239</u>
Total Net Position	<u>\$ 124,652,130</u>	<u>\$ 91,283,008</u>	<u>\$ 215,935,138</u>	<u>\$ 207,443,155</u>

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, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2020	2019
<u>OPERATING REVENUE</u>				
Charges for sales and services:				
Service charges	\$ 15,221,138	\$ 13,018,244	\$ 28,239,382	\$ 27,225,123
Connection and service fees	1,341,638	1,323,130	2,664,768	2,269,965
Other operating income	<u>131,293</u>	<u>231,790</u>	<u>363,083</u>	<u>361,971</u>
Total operating revenues	<u>16,694,069</u>	<u>14,573,164</u>	<u>31,267,233</u>	<u>29,857,059</u>
<u>OPERATING EXPENSES</u>				
Salaries, wage and employee benefits	11,114,360	6,814,018	17,928,378	17,331,207
Depreciation and amortization	4,748,937	4,062,684	8,811,621	8,855,705
Utilities	1,925,551	751,140	2,676,691	2,812,775
Repairs and maintenance	1,201,363	1,731,217	2,932,580	2,462,633
Other operating expenses (Note 15)	<u>2,560,157</u>	<u>2,012,534</u>	<u>4,572,691</u>	<u>4,587,827</u>
Total operating expenses	<u>21,550,368</u>	<u>15,371,593</u>	<u>36,921,961</u>	<u>36,050,147</u>
OPERATING LOSS	<u>(4,856,299)</u>	<u>(798,429)</u>	<u>(5,654,728)</u>	<u>(6,193,088)</u>
<u>NONOPERATING REVENUE (EXPENSE)</u>				
Tax revenue	8,611,190	236,273	8,847,463	8,337,122
Investment earnings (Note 14)	1,060,677	417,070	1,477,747	1,575,391
Aid from governmental agencies	180,908	397,543	578,451	317,972
Other nonoperating income	151,097	98,906	250,003	498,464
Interest expense	(744,360)	(60,731)	(805,091)	(1,018,758)
Other expense	<u>(211,523)</u>	<u>(42,613)</u>	<u>(254,136)</u>	<u>(251,347)</u>
Total nonoperating revenue, net	<u>9,047,989</u>	<u>1,046,448</u>	<u>10,094,437</u>	<u>9,458,844</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>4,191,690</u>	<u>248,019</u>	<u>4,439,709</u>	<u>3,265,756</u>
<u>CAPITAL CONTRIBUTIONS</u>				
Capital contributions	<u>-</u>	<u>4,052,274</u>	<u>4,052,274</u>	<u>63,912</u>
CHANGE IN NET POSITION	<u>4,191,690</u>	<u>4,300,293</u>	<u>8,491,983</u>	<u>3,329,668</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>120,460,440</u>	<u>86,982,715</u>	<u>207,443,155</u>	<u>204,113,487</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 124,652,130</u>	<u>\$ 91,283,008</u>	<u>\$ 215,935,138</u>	<u>\$ 207,443,155</u>

See accompanying notes to the basic financial statements.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 16,348,191	\$13,864,647	\$ 30,212,838	\$ 28,968,652
Payments to suppliers	(3,083,946)	(3,611,575)	(6,695,521)	(4,384,599)
Payments to employees	(10,107,527)	(6,197,822)	(16,305,349)	(15,989,576)
Other operating payments	<u>(2,560,157)</u>	<u>(2,012,534)</u>	<u>(4,572,691)</u>	<u>(4,587,827)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>596,561</u>	<u>2,042,716</u>	<u>2,639,277</u>	<u>4,006,650</u>
<u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Tax revenue	8,376,758	236,273	8,613,031	8,010,503
Payments (to) from governmental agencies	<u>(58,373)</u>	<u>399,762</u>	<u>341,389</u>	<u>1,223,591</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>8,318,385</u>	<u>636,035</u>	<u>8,954,420</u>	<u>9,234,094</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	(5,740,320)	(4,919,837)	(10,660,157)	(13,675,954)
Repayment of debt	(2,648,108)	(708,258)	(3,356,366)	(3,468,803)
Proceeds from issuance of debt	-	3,614,462	3,614,462	1,027,430
Interest paid on notes payable	(744,765)	(102,319)	(847,084)	(848,033)
Contributed capital	<u>-</u>	<u>4,052,274</u>	<u>4,052,274</u>	<u>-</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,133,193)</u>	<u>1,936,322</u>	<u>(7,196,871)</u>	<u>(16,965,360)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Investment earnings	692,644	172,389	865,033	786,357
Purchase of investments	(17,428,890)	(8,584,379)	(26,013,269)	(16,578,951)
Proceeds from sale of investments	<u>14,418,979</u>	<u>3,918,425</u>	<u>18,337,404</u>	<u>16,165,625</u>
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	<u>(2,317,267)</u>	<u>(4,493,565)</u>	<u>(6,810,832)</u>	<u>373,031</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,535,514)</u>	<u>121,508</u>	<u>(2,414,006)</u>	<u>(3,351,585)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,733,758</u>	<u>1,994,732</u>	<u>15,728,490</u>	<u>19,080,075</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,198,244</u>	<u>\$ 2,116,240</u>	<u>\$ 13,314,484</u>	<u>\$ 15,728,490</u>

See accompanying notes to the basic financial statements.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Business-type Activities Enterprise Funds</u>		<u>Total</u>	
	<u>Sewer</u>	<u>Water</u>	<u>2020</u>	<u>2019</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</u>				
Unrestricted cash and cash equivalents	\$ 8,988,455	\$ 1,417,852	\$ 10,406,307	\$ 12,828,446
Restricted cash and cash equivalents	<u>2,209,789</u>	<u>698,388</u>	<u>2,908,177</u>	<u>2,900,044</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 11,198,244</u>	<u>\$ 2,116,240</u>	<u>\$ 13,314,484</u>	<u>\$ 15,728,490</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
Operating loss	\$ (4,856,299)	\$ (798,429)	\$ (5,654,728)	\$ (6,193,088)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization	4,748,937	4,062,684	8,811,621	8,855,705
Net change in deferred outflows and inflows	302,112	110,391	412,503	1,551,302
(Increase) Decrease in receivables	(5,269)	(448,295)	(453,564)	18,068
Decrease (Increase) in other assets	(1,686)	48,128	46,442	44,831
(Decrease) Increase in accounts payable	45,340	(1,015,845)	(970,505)	830,456
Increase (Decrease) in pension liability	601,622	401,081	1,002,703	(283,370)
Decrease in unearned revenue	(340,609)	(573,222)	(913,831)	(906,475)
Increase in other payables	<u>102,413</u>	<u>256,223</u>	<u>358,636</u>	<u>89,221</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 596,561</u>	<u>\$ 2,042,716</u>	<u>\$ 2,639,277</u>	<u>\$ 4,006,650</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>				
Increase in fair value of investments	\$ 285,664	\$ 180,064	\$ 465,728	\$ 650,382
Noncash capital contributions	<u>-</u>	<u>4,052,274</u>	<u>4,052,274</u>	<u>63,912</u>
Total Non-Cash Investing, Capital, and Financing Activities	<u>\$ 285,664</u>	<u>\$ 4,232,338</u>	<u>\$ 4,518,002</u>	<u>\$ 714,294</u>

See accompanying notes to the basic financial statements.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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.

Based on the foregoing criteria; the following funds are included in the District's annual report and are combined for financial reporting purposes:

- Sewer Enterprise Fund
- Water Enterprise Fund

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.

Measurement Focus

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 these funds are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 commercial paper. The District records its investments at fair value. Changes in fair value are reported as investment income in the statement of revenues, expenses, and changes in net position.

The Chief Financial Officer invests monies not required for the immediate operations of the District, 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:

	<u>Years</u>
<u>Sewer Enterprise</u>	
Subsurface lines	10-70
Sewage collection facilities	5-40
Sewage treatment	3-40
Sewage disposal	5-100
General plant and administration	3-50
 <u>Water Enterprise</u>	
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.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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 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 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 position that 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 financial 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 have 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 current year's presentation.

S. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2020 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. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Additionally, this Statement describes four fiduciary funds that should be reported, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Application of this statement is effective for the District's fiscal year ending June 30, 2021.

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. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

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. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Governmental Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interest reported as an investment and majority equity interest reported as a component unit of the governmental entity. Application of this statement is effective for the District's fiscal year ending June 30, 2021.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 consisted of the following:

Cash and cash equivalents:

Unrestricted:	
Cash on hand	\$ 2,450
Unrestricted deposits in financial institutions	698,739
Deposits in Local Agency Investment Fund (LAIF)	9,373,011
Deposits in El Dorado County Treasury	285,973
Deposits in California Asset Management Program (CAMP)	<u>46,134</u>
Total unrestricted cash and cash equivalents	<u>10,406,307</u>
Restricted:	
Deposits in CAMP	494,707
Restricted for debt service payment	<u>2,413,470</u>
Total restricted cash and cash equivalents	<u>2,908,177</u>
Total cash and cash equivalents	<u>13,314,484</u>

Investments:

Unrestricted:	
Federal agency and instrumentalities	7,183,325
U.S. corporate debt	7,769,349
Asset backed securities	4,555,550
Supranationals	474,878
Municipal Bonds	428,304
U.S. Treasury obligations	11,803,113
Negotiable certificates of deposit	<u>2,921,581</u>
Total unrestricted investments	<u>35,136,100</u>
Restricted:	
Negotiable certificates of deposit	<u>165,000</u>
Total investments	<u>35,301,100</u>
Total cash and investments	<u>\$ 48,615,584</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 obligations	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.

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, 2020:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>			
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-2</u>	<u>3-5</u>
Federal agency and instrumentalities	\$ 7,183,325	\$ 3,526,275	\$ 3,592,542	\$ 64,508
U.S. corporate debt	7,769,349	997,382	4,650,409	2,121,558
Asset backed securities	4,555,550	250,220	3,246,220	1,059,110
Supranationals	474,878	261,529	213,349	-
Municipal Bonds	428,304	-	428,304	-
U.S. Treasury obligations	11,803,113	1,347,328	10,455,785	-
Negotiable certificates of deposit	3,086,581	125,000	2,010,105	951,476
	<u>\$ 35,301,100</u>	<u>\$ 6,507,734</u>	<u>\$ 24,596,714</u>	<u>\$ 4,196,652</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2: CASH AND INVESTMENTS (continued)

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 lesser of the amount stipulated by the California Government Code or 10% 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.

Presented below is the actual rating as of June 30, 2020 for each investment type.

Investment Type	Total	Rating as of Fiscal Year End	
		S&P	N/A
Federal agency and instrumentalities	\$ 7,183,325	AA+	
Municipal Bonds	112,310	AA+	
Municipal Bonds	15,487	A	
Municipal Bonds	300,508	AA-	
U.S. corporate debt	283,949	AA+	
U.S. corporate debt	788,570	AA	
U.S. corporate debt	831,659	AA-	
U.S. corporate debt	1,344,314	A+	
U.S. corporate debt	1,752,350	A	
U.S. corporate debt	1,549,432	A-1	
U.S. corporate debt	101,067	BBB-	
U.S. corporate debt	948,118	BBB+	
U.S. corporate debt	169,891		Not rated
Asset-backed Security	3,625,882	AAA	
Asset-backed Security	929,668		Not rated
Supranationals	474,878	AAA	
U.S. Treasury obligations	11,803,112	AA+	
Negotiable certificates of deposit	558,519	AA-	
Negotiable certificates of deposit	287,817	A-1+	
Negotiable certificates of deposit	1,454,876	A-1	
Negotiable certificates of deposit	278,257	A+	
Negotiable certificates of deposit	342,111	A	
Negotiable certificates of deposit	165,000		Not rated
	<u>\$ 35,301,100</u>		

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 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 \$2,013,937 as of June 30, 2020, are secured by federal depository insurance for \$414,998 with the remainder covered by collateral held by an agent of the pledging bank in the District's name.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. 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, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal agency and instrumentalities	\$ -	\$ 7,183,325	\$ -	\$ 7,183,325
U.S corporate debt	-	7,769,349	-	7,769,349
Asset backed securities	-	4,555,550	-	4,555,550
Supranationals	-	474,878	-	474,878
Municipal Bonds	-	428,304	-	428,304
U.S. Treasury obligations	-	11,803,113	-	11,803,113
Negotiable certificates of deposit	-	<u>3,086,581</u>	-	<u>3,086,581</u>
Total assets at fair value	<u>\$ -</u>	<u>\$ 35,301,100</u>	<u>\$ -</u>	<u>\$ 35,301,100</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Short-term receivables at June 30, 2020 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Customer receivables	\$ 685,355	\$ 1,341,191	\$ 2,026,546
Other receivables	79,819	143,996	223,815
Due from Federal Government	56,099	65,609	121,708
Due from State Government	183,159	50,524	233,683
Due from El Dorado County	<u>-</u>	<u>236,710</u>	<u>236,710</u>
	1,004,432	1,838,030	2,842,462
Allowance for doubtful accounts	<u>(101,811)</u>	<u>(77,615)</u>	<u>(179,426)</u>
Accounts receivable, net of allowance	<u>\$ 902,621</u>	<u>\$ 1,760,415</u>	<u>\$ 2,663,036</u>

Long-term receivables at June 30, 2020 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Customer receivables	\$ 182,428	\$ -	\$ 182,428
Due from State Government	<u>73,020</u>	<u>73,020</u>	<u>146,040</u>
Accounts receivable	<u>\$ 255,448</u>	<u>\$ 73,020</u>	<u>\$ 328,468</u>

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, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Capital assets not being depreciated					
Land and easement	\$ 24,745,627	\$ -	\$ -	\$ -	\$ 24,745,627
Water rights	1,668,308	-	-	-	1,668,308
Construction in progress	<u>24,705,533</u>	<u>4,159,458</u>	<u>-</u>	<u>(6,963,132)</u>	<u>21,901,859</u>
Total capital assets not being depreciated	<u>51,119,468</u>	<u>4,159,458</u>	<u>-</u>	<u>(6,963,132)</u>	<u>48,315,794</u>
Capital assets being depreciated					
Plant and equipment	<u>336,843,408</u>	<u>6,500,699</u>	<u>(439,714)</u>	<u>6,963,132</u>	<u>349,867,525</u>
Less accumulated depreciation					
Plant and equipment	<u>(160,139,775)</u>	<u>(8,811,621)</u>	<u>437,661</u>	<u>-</u>	<u>(168,513,735)</u>
Total capital assets being depreciated, net	<u>176,703,633</u>	<u>(2,310,922)</u>	<u>(2,053)</u>	<u>6,963,132</u>	<u>181,353,790</u>
Capital assets, net	<u>\$ 227,823,101</u>	<u>\$ 1,848,536</u>	<u>\$ (2,053)</u>	<u>\$ -</u>	<u>\$ 229,669,584</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 4: CAPITAL ASSETS (continued)

Construction in progress as of June 30, 2020 consisted of the following:

Al Tahoe Pump St Rehab	\$ 184,489
Alpine County Master Plan	1,036,420
Apache Ave. Sewer Replacement	656,756
BMP projects, water	201,519
C-Line energy generation	189,305
C-Line reroute	236,334
Collection system master plan	522,264
DVR environmental impact report	769,991
DVR irrigation improvements	11,525,760
Luther Pass PS Tank Rehab	250,781
Santa Fe Property Improvements	361,067
Sierra Blvd. WT System Improvements	491,306
Keller-Heavenly System Improvements	873,114
Meters, Phase 5B	500,582
Secondary Clarifier #2 Rehab	184,521
Secondary Clarifier #3 Rehab	201,113
Tahoe Keys Sewer PS Rehab	602,505
Tyler Utility Management	265,182
Upper Truckee Sewer PS Rehab	299,046
Water system optimization plan	430,842
Waterline, Rocky Point 2	459,185
Wildwood intercept	205,918
Other projects	<u>1,453,859</u>
	<u>\$ 21,901,859</u>

Depreciation expense for the year ended June 30, 2020 was charged to the different activities as follows:

Sewer	\$ 4,748,937
Water	<u>4,062,684</u>
	<u>\$ 8,811,621</u>

NOTE 5: 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, 2020:

	<u>Water</u>	<u>Total</u>
Meters sold but not issued	\$ <u>20,193</u>	\$ <u>20,193</u>
	<u>\$ 20,193</u>	<u>\$ 20,193</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6: LONG TERM LIABILITIES

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
SRF Luther Pass Pump Station	\$ 1,712,485	\$ -	\$ (122,736)	\$ 1,589,749	\$ 126,050
SRF Headworks	685,404	-	(40,937)	644,467	42,042
SRF Emergency Retention Basin	932,715	-	(60,846)	871,869	62,488
2011 Sewer Installment Agreement	4,609,273	-	(296,979)	4,312,294	307,919
2012 Sewer Refunding	5,217,089	-	(900,415)	4,316,674	921,242
2013 Sewer Refunding	5,246,876	-	(562,201)	4,684,675	576,117
SRF Luther Pass Power	4,382,197	-	(119,938)	4,262,259	121,858
SRF Diamond Valley Ranch Irrigation Imp.	7,545,234	-	(206,509)	7,338,725	209,813
SRF Aeration Basin #2 Rehabilitation	1,041,722	-	(28,090)	1,013,632	28,567
SRF Primary Clarifier #1 Rehabilitation	564,551	-	(15,223)	549,328	15,482
Chase Bank Sewer Loan	4,564,753	-	(294,234)	4,270,519	300,681
2013 Water Refunding	4,751,866	-	(518,659)	4,233,207	381,631
SRF Meters Phase 1	3,211,190	-	(116,771)	3,094,419	116,771
SRF Meters Phase 2	1,027,854	-	(48,152)	979,702	48,928
SRF Meters Phase 3 - 5	3,357,245	3,614,462	-	6,971,707	-
SRF Waterline Replacement	<u>1,931,232</u>	<u>-</u>	<u>(24,676)</u>	<u>1,906,556</u>	<u>50,253</u>
Total	<u>\$ 50,781,686</u>	<u>\$ 3,614,462</u>	<u>\$ (3,356,366)</u>	<u>\$ 51,039,782</u>	<u>\$ 3,309,842</u>

A description of the long-term liabilities at June 30, 2020 follows:

SRF Luther Pass Pump Station

2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2030, payable \$168,973 annually, including interest at 2.7%. The original amount of the debt was \$2,485,968 and was used for construction of the Luther Pass Pump Station Generator Replacement project. For the year ended June 30, 2020, principal and interest payments accounted for 0.7% of total sewer revenues.

SRF Headworks

2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2032, payable \$59,442 annually, including interest at 2.7%. The original amount of the debt was \$909,386 and was used for construction of the Headworks Replacement project. For the year ended June 30, 2020, principal and interest payments accounted for 0.2% of total sewer revenues.

SRF Emergency Retention Basin

2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2031, payable \$86,029 annually, including interest at 2.7%. The original amount of the debt was \$1,344,698 and was used for construction of the Emergency Retention Basin Liner project. For the year ended June 30, 2020, principal and interest payments accounted for 0.3% of total sewer revenues.

2011 Sewer Installment Agreement

2011 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 1, 2031, payable \$231,267 semi-annually, including interest at 3.65%. The original amount of the debt was \$6,525,000 and was used for constructions of sewer infrastructure improvements. For the year ended June 30, 2020, principal and interest payments accounted for 1.7% of total sewer revenues.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6: LONG TERM LIABILITIES (continued)

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, 2020, principal and interest payments accounted for 3.7% 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, 2020, 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, 2020, 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, 2020, principal and interest payments accounted for 1.2% of total sewer revenues.

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, 2020, principal and interest payments accounted for 0.2% 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, 2020, 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, 2020, principal and interest payments accounted for 1.4% 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, 2020, principal and interest payments accounted for 3.8% of total water revenues.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6: LONG TERM LIABILITIES (continued)

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, 2020, 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, 2020, principal and interest payments accounted for 0.4% of total water revenues.

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, 2020 the District incurred a total of \$10,971,705 in Phase 3 - 5 costs, of which \$4,000,000 has been forgiven. For the year ended June 30, 2020, principal and interest payments accounted for 0% of total water revenues.

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, 2020, principal and interest payments accounted for 0.4% of total water revenues.

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

Years ending June 30,	Principal	Interest	Total
2021	\$ 3,309,842	\$ 889,490	\$ 4,199,332
2022	3,563,283	938,841	4,502,124
2023	3,340,170	857,610	4,197,780
2024	4,032,095	774,372	4,806,467
2025	3,305,420	689,074	3,994,494
2026 - 2030	13,249,504	2,465,223	15,714,727
2031 - 2035	6,660,979	1,304,192	7,965,171
2036 - Thereafter	<u>13,578,489</u>	<u>1,608,392</u>	<u>15,186,881</u>
	<u>\$ 51,039,782</u>	<u>\$ 9,527,194</u>	<u>\$ 60,566,976</u>

Interest charges on debt, including amounts capitalized totaling \$117,226, for the year ended June 30, 2020 was \$922,317.

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, 2020.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 7: COMPENSATED ABSENCES

Compensated absences balance and activity for the year ended June 30, 2020 were as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
Compensated absences	\$ 3,141,813	\$ 1,864,901	\$ (1,657,078)	\$ 3,349,636	\$ 1,164,142

NOTE 8: INTERFUND LOAN

During the year ended June 30, 2017, the sewer fund loaned the water fund \$3 million to provide bridge funding for the water meter installation projects. This funding helps cover the expenses of the meter installations until the District is reimbursed from the Clean Water State Revolving Loan. The water fund is to reimburse the sewer fund, including interest, by June 30, 2021, when all remaining meter installations are expected to be complete and the District has been completely reimbursed from the loan funds. Interest on the loan will be paid at the same rate received by the District on its funds invested in the California Local Agency Investment Fund.

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.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9: PENSION PLAN (continued)

The rate plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Miscellaneous Plan</u>	
	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	8.000%	6.250%
Required Employer Contribution Rate	12.514%	6.985%

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, 2020 were \$1,813,910.

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

As of June 30, 2020, the District reported a net pension liability of \$10,859,922 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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2020 and 2019 was follows:

Proportion - June 30, 2019	0.26155 %
Proportion - June 30, 2020	<u>0.27119 %</u>
Change - increase	<u>0.00964 %</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9: PENSION PLAN (continued)

For the year ended June 30, 2020, the District recognized pension expense of \$2,935,091. At June 30, 2020, 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	\$ 1,813,910	\$ -
Change in employer's proportion	494,420	-
Difference between actual and expected experience	754,267	58,441
Changes in assumptions	517,851	183,574
Difference between employer contributions and the employer's proportionate share of the risk pool's contributions	123,745	-
Net difference between projected and actual earning on plan investments	-	189,865
 Total	 \$ 3,704,193	 \$ 431,880

\$1,813,910 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, 2021. 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,	
2021	\$ 1,200,035
2022	57,886
2023	162,116
2024	38,366

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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 applied, 2.50% thereafter

(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.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9: PENSION PLAN (continued)

All other actuarial assumptions used in the June 30, 2018 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

In 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

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 returns of 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.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on December 19, 2017.

<u>Asset class</u>	<u>Assumed asset allocation</u>	<u>Real return years 1-10 (1)</u>	<u>Real return years 11+ (2)</u>
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.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9: PENSION PLAN (continued)

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	\$17,446,905	\$10,859,922	\$5,422,832

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 (\$19,500 in 2020).

The 457 Plan assets totaled \$17,363,851 at June 30, 2020. 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, 2020, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately \$5.5 million.

At June 30, 2020, the District's management was in negotiations with various contractors regarding change orders for work performed prior to year-end. Management has made estimates for amounts due at year-end and had recorded them in accrued liabilities.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 12: COMMITMENTS AND CONTINGENCIES (continued)

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, 2020. 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, 2019 (the most recent information available):

Total assets	\$ 212,099,851
Total deferred outflows of resources	553,790
Total liabilities	112,046,920
Total deferred inflows of resources	1,672,219
Net assets	98,934,502
Total income	181,825,144
Total expense	169,356,246

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.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2019 (the most recent information available):

Total assets	\$ 5,588,124,487
Total liabilities	721,255
Net assets	4,817,841,612
Total income	120,270,058
Total expenses	5,755,189
Net increase in net assets resulting from operations	114,514,869

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 CSRMA and CAMP are not component units of the District for financial reporting purposes.

NOTE 14: INVESTMENT EARNINGS

Investment earnings consisted of the following for the year ended June 30, 2020:

Interest income	\$ 787,937
Net realized and unrealized gains	<u>689,810</u>
	<u>\$ 1,477,747</u>

NOTE 15: OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the year ended June 30, 2020:

Professional services	\$ 1,842,997
Operating permits	292,229
Chemical supplies	340,684
Office expense	203,566
Insurance and unreimbursed claims	518,973
Travel, meetings, and education	166,201
Research and monitoring	63,586
Equipment and building rent expense	204,416
Fuel expenses	202,919
Taxes, street lighting, and mitigation	149,957
Community incentive	131,502
Dues and certification	133,255
Miscellaneous expense	<u>322,406</u>
	<u>\$ 4,572,691</u>

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2020 through December 10, 2020, the date on which the financial statements were available to be issued.

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, 2020
LAST 10 YEARS ***

	Measurement Period					
	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.27119 %	0.26155 %	0.25724 %	0.24871 %	0.25560 %	0.24100 %
Proportionate share of the net pension liability	\$10,859,922	\$ 9,857,219	\$10,140,589	\$ 8,639,873	\$ 7,012,372	\$ 5,945,128
Covered payroll	\$ 9,849,757	\$ 9,650,512	\$ 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	110.26 %	102.14 %	108.95 %	91.64 %	79.76 %	67.45 %
Plan fiduciary net position as a percentage of the total pension liability	75.26 %	75.26 %	73.31 %	74.06 %	78.40 %	79.82 %

* Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only six 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
AS OF JUNE 30, 2020
LAST 10 YEARS ***

	Fiscal Year-End					
	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,813,910	\$ 1,601,072	\$ 1,446,366	\$ 1,369,744	\$ 1,278,986	\$ 1,545,374
Contributions in relation to the actuarially determined contributions	<u>1,813,910</u>	<u>1,601,072</u>	<u>1,446,366</u>	<u>1,369,744</u>	<u>1,278,986</u>	<u>1,545,374</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$10,293,860	\$ 9,849,757	\$ 9,650,512	\$ 9,307,465	\$ 9,428,197	\$ 8,791,579
Contributions as a percentage of covered payroll	17.62 %	16.25 %	14.99 %	14.72 %	13.57 %	17.58 %

* Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only six years are shown. Additional years' information will be displayed as it becomes available.



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 South Tahoe Public Utility District (the "District") as of and for the year ended June 30, 2020, 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 10, 2020.

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 may exist that have not been identified.

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.

Sacramento, California
December 10, 2020



**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

We have audited South Tahoe Public Utility District's (the "District") compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in blue ink, appearing to read "M. L. H. M. CPAs".

Sacramento, California
December 10, 2020

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract/ Pass-through Number</u>	<u>Passed- Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u>				
<i>Pass-Through State of California Governor's Office of Emergency Services:</i>				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	COVIDV	-	\$ 18,838
Total U.S. Department of Homeland Security			-	18,838
<u>U.S. Environmental Protection Agency</u>				
<i>Pass-through from the California State Water Resources Control Board:</i>				
Capitalization Grants for Clean Water State Revolving Funds	66.458	D17-01007	-	7,559,474
Total U.S. Environmental Protection Agency			-	7,559,474
<u>U.S. Department of Agriculture</u>				
<i>Direct Programs:</i>				
Cooperative Forestry Assistance	10.664	17-DG-11052012-140	53,045	56,961
Total U.S. Department of Agriculture			53,045	56,961
<u>U.S. Department of the Interior</u>				
<i>Direct Programs:</i>				
Reclamation Water Smart Program	15.507	PRVROC	-	52,274
Total U.S. Department of Interior			-	52,274
Total Expenditures of Federal Awards			\$ 53,045	\$ 7,687,547

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. 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, 2020.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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?	No
Major programs are as follows:	
<u>CFDA Number</u> 66.458	<u>Name of Federal Program</u> Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

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

No current year findings and questioned costs for federal awards as defined in section 200.516 of the Uniform Guidance.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no findings to report for the year ended June 30, 2019.