SOUTH TAHOE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

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SOUTH TAHOE PUBLIC UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2021

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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, 2021, 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 opinion.

Opinion

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, 2021, 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 2020 Summarized Comparative Information

We have previously audited the District's 2020 basic financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, 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
November 18, 2021

South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2021

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 2020-21, the District invested nearly $4.1 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 2020-21, approximately 11,500 additional meters have been installed. These additional installations increased the portion of the water system metered to approximately 98%. The amount spent on meter installations in fiscal year 2020-21 was $1.8 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 2020-21, the District spent $1.5 million on waterline replacements and hydrant installations.

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2020-21, $6.6 million was invested in sewer infrastructure improvements. A few of the projects completed during the year were the rehabilitation of one of the secondary clarifiers at the treatment plant, improvements to the Luther Pass pump station tanks, valves and piping, and replacement of the Apache Avenue sewer collection line.

- During the year $10.7 million was invested in sewer and water infrastructure and equipment.
- Net position of the District increased $1.7 million or 0.8%.
- The Sewer and Water Enterprise Funds' income is $2,040,476 and ($300,435), respectively.
- Operating revenue is down 3.5% due to a decrease in development-related charges.
- Operating expenses less depreciation is up 2.0% from the prior year, but came in 5.0% under budget.
- In fiscal year 2020-21, the District recognized competitive grants totaling more than $.6 million, following $4.6 million awarded in 2019-20 and $.4 million awarded in 2018-19. These grants will fund, among other things, waterline replacements, water pumping facilities, and water conservation programs.

Overview of the Basic Financial Statements

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

Overview of the Basic Financial Statements - Continued

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

Net Position

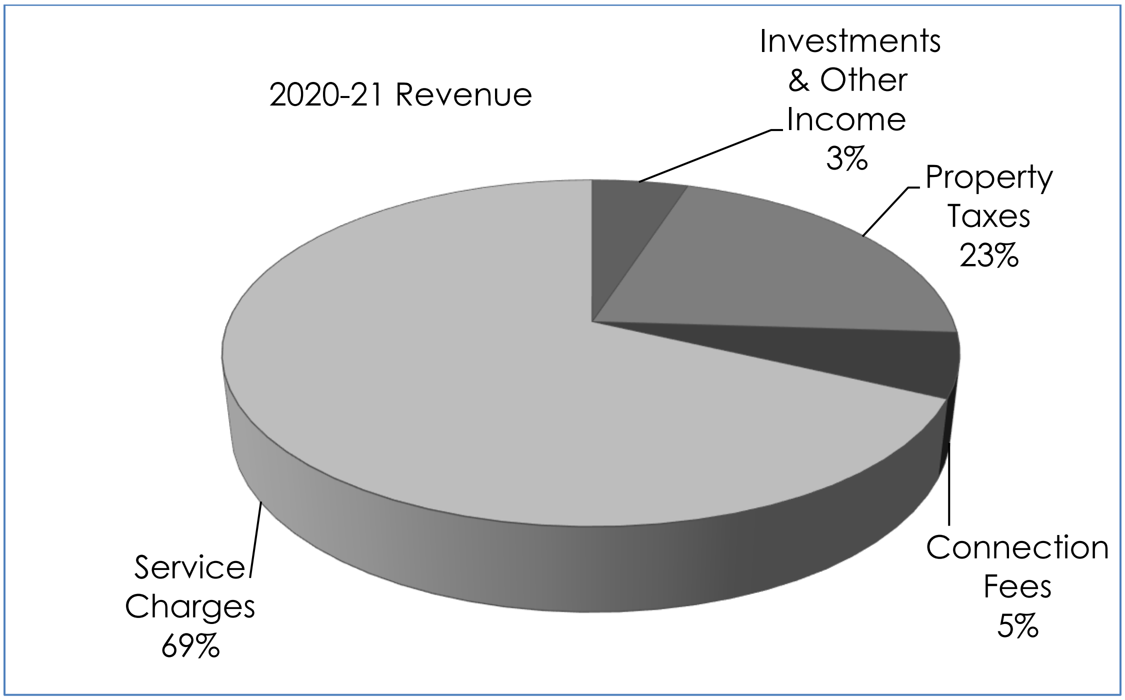
The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements determined in conformity with GASB 68. 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, 2021 and 2020 was $11.9 million and $10.9 million respectively. For more information on the District's pension plan, see Note 8 of the Notes to the Financial Statements.

Net Position
(in thousands)

	June 30			
	2021	2020	Change	Change
Current and other	$ 62,415	$ 64,486	($ 2,071)	(3.2%)
Capital assets	232,350	229,670	2,680	1.2%
Total assets	$294,765	$294,156	$609	0.2%
Deferred outflows of resources	$3,699	$3,861	($162)	(4.2%)
Debt outstanding	$ 49,714	$ 51,040	($1,326)	(2.6%)
Net Pension Liability	11,923	10,860	1,063	9.8%
Other liabilities	9,785	11,194	(1,409)	(12.6%)
Total liabilities	$ 71,422	$ 73,094	($1,672)	(2.3%)
Deferred inflows of resources	$9,367	$8,988	$379	4.2%
Net investment in capital assets	$182,884	$179,340	$ 3,544	2.0%
Restricted for security deposits	165	165	0	0.0%
Restricted for capital asset purchases	0	3,000	(3,000)	(100.0%)
Restricted for debt service payment	1,732	2,413	(681)	(28.2%)
Unrestricted	32,894	31,017	1,877	6.1%
Total net position	$217,675	$215,935	$1,740	0.8%

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2020-21 is $40.6 million, a $1.8 million or 4.3% decrease from the prior year. The 2021 service charge revenue is down slightly due to the Board approved sewer service charge rate relief program provided to certain customers to help offset the negative local economic impacts created by the COVID-19 pandemic. Connection fees are down $0.8 million or 30.1% reflecting a decrease in both commercial and residential development. Property tax revenue is up $0.5 million or 5.3%, 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 4.9% for 2021-22. Investment income is down 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.

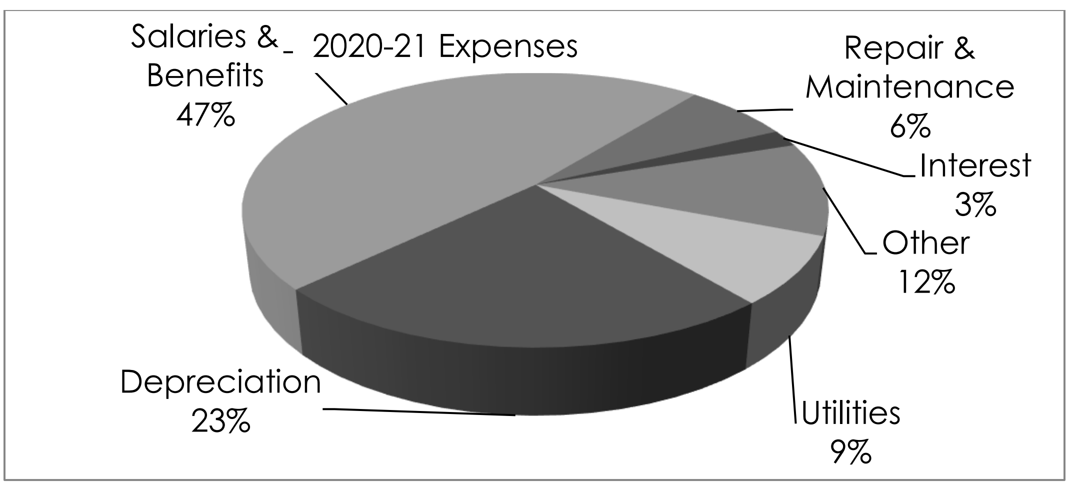


Revenues
(in thousands)

	June 30 2021	June 30 2020	Change	Change
Service charges	$28,112	$28,239	($ 127)	(0.4%)
Connection fees	1,862	2,665	(803)	(30.1%)
Other	199	363	(164)	(45.2%)
Total operating revenue	30,173	31,267	(1,094)	(3.5%)
Property taxes	9,315	8,848	467	5.3%
Investments	132	1,478	(1,346)	(91.1%)
Other	990	828	162	19.6%
Total non-operating revenue	10,437	11,154	(717)	(6.4%)
Total revenue	$40,610	$42,421	$ (1,811)	(4.3%)

Revenue and Expenses - Continued

Total operating expenses for the current year are $37.8 million, up $.9 million from the prior year. The increase to salaries and benefits was $0.6 million, or 3.3%. 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 2021 was $1,240,727 compared to $1,294,904 in the prior year. The GASB 68 pension expense adjustment for fiscal year 2021 was $.9 million compared to $1.2 million in the prior year. The year-over-year change of the required GASB 68 adjustment to pension expense was $0.1 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 2021 increase over the prior year was $846,226 or 4.7%. The increase to salaries of approximately $590,000 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 second step of a salary survey completed in 2019. The remaining increase of $257,000 is due to an increase in retirement benefit expenses. CalPERS classic plan employer rates increased from 20.640% to 23.811% of salaries. Depreciation expense increased by 3.7% illustrating the District's continued investment in new infrastructure. Utilities, which fluctuate year to year due to winter severity, are up 25% in 2021 due to multiple rate increases implemented by the local power supplier. Repair and maintenance expenditures, which increased 17.5%, 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 increased 14.7% due to additional debt service payments associated with a new State Revolving Funding loan.



Revenue and Expenses - Continued

Expenses
(in thousands)

	June 30			
	2021	2020	Change	Change
Operating expenses:				
Salaries and benefits	$18,517	$17,928	$ 589	3.3%
Depreciation	9,142	8,812	330	3.7%
Utilities	3,347	2,677	670	25.0%
Repair and maintenance	2,419	2,932	(513)	(17.5%)
Other	4,399	4,573	(174)	(3.8%)
Total operating expenses	37,824	36,922	902	2.4%
Non-operating expenses:				
Interest expense	923	805	118	14.7%
Other	289	254	35	1.4%
Total non-operating expenses	1,212	1,059	153	14.4%
Total expenses	$39,036	$37,981	$ 1,055	2.8%

The fiscal year 2020-21 income before capital contributions is $1.6 million as compared to the actual prior year income of $4.4 million. For the year, capital contributions increased net position an additional $.2 million.

Changes in Net Position
(in thousands)

	June 30			
	2021	2020	Change	Change
Beginning net position	$215,935	$207,443	$8,492	4.1%
Income before contributions	1,573	4,440	(2,867)	(64.6%)
Capital contributions	167	4,052	(3,885)	(95.9%)
Changes in net position	1,740	8,492	(6,752)	(79.5%)
Ending net position	$217,675	$215,935	$1,740	0.8%

Capital Assets

The District's investment in its sewer and water systems is $232 million at the end of the fiscal year net of depreciation. During the year, more than $10 million was spent on new infrastructure and equipment. $2.2 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 $5.0 was invested in sewer system improvements including pumping and treatment upgrades, line replacement, and recycled water projects.

Capital Assets
(net of depreciation, in thousands)

	Sewer		Water		Total	
	2021	2020	2021	2020	2021	2020
Land and easements	$ 23,035	$ 22,843	$ 2,096	$ 1,903	$ 25,131	$ 24,746
Water rights	-	-	1,668	1,668	1,668	1,668
Plant and equipment	99,536	87,416	95,075	93,938	194,611	181,354
Construction in Progress	8,327	18,272	2,612	3,630	10,939	21,902
Total	$130,898	$128,531	$101,451	$101,139	$232,349	$229,670

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

Debt Administration

The District prefers to avoid funding capital improvement projects with debt, but will do so when necessary to keep service rates at reasonable levels. The District received a new credit rating in April 2021when it was preparing to issue sewer refunding bonds. S&P Global provided an AA rating for the bond issuance. At year-end, the District had $48.8 million in installment sales and loans outstanding as detailed below. As always, grant opportunities and low-interest subsidized loans are pursued by the District.

Debt Administration - Continued

Outstanding Debt at Year End
(in thousands)

	June 30, 2021	June 30, 2020
Sewer Enterprise Fund:		
California State Revolving Loan Fund (secured by sewer revenue)	0	1,590
California State Revolving Loan Fund (secured by sewer revenue)	0	644
California State Revolving Loan Fund (secured by sewer revenue)	0	872
California State Revolving Loan Fund (secured by sewer revenue)	7,129	7,339
California State Revolving Loan Fund (secured by sewer revenue)	4,140	4,262
Sewer Refunding (secured by sewer revenue)	4,109	4,685
Sewer Refunding (secured by sewer revenue)	3,395	4,317
Installment Sale Agreement (secured by sewer revenue)	0	4,312
Installment Sale Agreement (secured by sewer revenue)	3,970	4,270
California State Revolving Loan Fund (secured by sewer revenue)	985	1,014
California State Revolving Loan Fund (secured by sewer revenue)	534	549
2021 Wastewater Revenue Refunding Bonds (secured by sewer revenue)	5,745	0
Total sewer enterprise fund	30,007	33,854
Water Enterprise Fund:		
Water Refunding (secured by water revenue)	3,851	4,233
California State Revolving Loan Fund (secured by water revenue)	2,978	3,094
California State Revolving Loan Fund (secured by water revenue)	931	980
California State Revolving Loan Fund (secured by water revenue)	7,734	6,972
California State Revolving Loan Fund (secured by water revenue)	3,295	1,907
Total water enterprise fund	18,789	17,186
Total debt	$ 48,796	$ 51,040

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, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2021**	**2020**
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	$ 10,003,175	$ 1,775,151	$ 11,778,326	$ 10,406,307
Investments (Note 2)	1,180,582	414,799	1,595,381	3,235,528
Accounts receivable, net of allowance (Note 3)	512,457	1,263,463	1,775,920	2,070,935
Due from governmental agencies (Note 3)	223,080	418,765	641,845	592,101
Property tax receivable	9,264,795	-	9,264,795	8,555,859
Interest receivable	65,907	21,503	87,410	288,050
Other current assets	244,251	924,398	1,168,649	1,035,245
Interfund loan	-	-	-	3,000,000
Total current assets	21,494,247	4,818,079	26,312,326	29,184,025
Noncurrent assets				
Restricted assets:				
Cash and cash equivalents (Note 2)	587,906	1,144,165	1,732,071	2,908,177
Certificate of deposit (Note 2)	50,000	115,000	165,000	165,000
Total restricted assets	637,906	1,259,165	1,897,071	3,073,177
Long-term accounts receivable (Note 3)	779,409	-	779,409	182,428
Due from governmental agencies (Note 3)	73,020	73,020	146,040	146,040
Investments (Note 2)	24,627,510	8,652,909	33,280,419	31,900,572
Capital assets, net of accumulated depreciation (Note 4)	130,897,523	101,451,945	232,349,468	229,669,584
Total noncurrent assets	157,015,368	111,437,039	268,452,407	264,971,801
Total Assets	178,509,615	116,255,118	294,764,733	294,155,826
DEFERRED OUTFLOW OF RESOURCES				
Refunding loan costs	131,010	-	131,010	156,500
Changes in the net pension liability (Note 8)	2,173,605	1,394,486	3,568,091	3,704,193
Total Deferred Outflows of Resources	$ 2,304,615	$ 1,394,486	$ 3,699,101	$ 3,860,693

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION (continued)
JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2021**	**2020**
LIABILITIES				
Current liabilities				
Accounts payable and other liabilities	$ 3,009,915	$ 1,060,159	$ 4,070,074	$ 2,731,611
Unearned revenue (Note 5)	192,800	48,905	241,705	20,193
Accrued expenses	1,205,993	194,238	1,400,231	1,255,197
Accrued interest payable	234,736	95,944	330,680	524,301
Deposits payable	-	358,000	358,000	313,000
Interfund loan	-	-	-	3,000,000
Compensated absences - current portion (Note 7)	670,822	483,604	1,154,426	1,164,142
Long term liabilities - current portion (Note 6)	2,731,977	825,369	3,557,346	3,309,842
Total current liabilities	8,046,243	3,066,219	11,112,462	12,318,286
Noncurrent liabilities				
Compensated absences - long term portion (Note 7)	1,303,318	927,043	2,230,361	2,185,494
Long term liabilities - long term portion (Note 6)	28,192,696	17,963,676	46,156,372	47,729,940
Net pension liability (Note 8)	7,253,221	4,669,192	11,922,413	10,859,922
Total long-term liabilities	36,749,235	23,559,911	60,309,146	60,775,356
Total Liabilities	44,795,478	26,626,130	71,421,608	73,093,642
DEFERRED INFLOWS OF RESOURCES				
Property tax receivable	9,264,795	-	9,264,795	8,555,859
Changes in the net pension liability (Note 8)	61,351	40,901	102,252	431,880
Total Deferred Inflows of Resources	9,326,146	40,901	9,367,047	8,987,739
NET POSITION				
Net Investment in capital assets	100,103,860	82,779,688	182,883,548	179,339,518
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for debt service payment	587,906	1,144,165	1,732,071	2,413,470
Unrestricted - designated for capital asset purchases	-	-	-	3,000,000
Unrestricted	25,950,840	6,943,720	32,894,560	31,017,150
Total Net Position	$ 126,692,606	$ 90,982,573	$ 217,675,179	$ 215,935,138

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, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2021**	**2020**
OPERATING REVENUE				
Charges for sales and services:				
Service charges	$ 14,850,655	$ 13,261,201	$ 28,111,856	$ 28,239,382
Connection and service fees	1,039,095	822,527	1,861,622	2,664,768
Other operating income	115,502	83,973	199,475	363,083
Total operating revenues	16,005,252	14,167,701	30,172,953	31,267,233
OPERATING EXPENSES				
Salaries, wage and employee benefits	11,405,818	7,111,155	18,516,973	17,928,378
Depreciation and amortization	4,809,909	4,332,579	9,142,488	8,811,621
Utilities	2,330,186	1,016,952	3,347,138	2,676,691
Repairs and maintenance	955,598	1,462,871	2,418,469	2,932,580
Other operating expenses (Note 14)	2,576,631	1,822,739	4,399,370	4,572,691
Total operating expenses	22,078,142	15,746,296	37,824,438	36,921,961
OPERATING LOSS	(6,072,890)	(1,578,595)	(7,651,485)	(5,654,728)
NONOPERATING REVENUE (EXPENSE)				
Tax revenue	8,627,310	687,341	9,314,651	8,847,463
Investment earnings (Note 13)	127,482	4,800	132,282	1,477,747
Aid from governmental agencies	13,633	454,352	467,985	578,451
Other nonoperating income	297,614	223,977	521,591	250,003
Interest expense	(863,205)	(59,933)	(923,138)	(805,091)
Other expense	(231,145)	(57,603)	(288,748)	(254,136)
Total nonoperating revenue, net	7,971,689	1,252,934	9,224,623	10,094,437
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,898,799	(325,661)	1,573,138	4,439,709
CAPITAL CONTRIBUTIONS				
Capital contributions	141,677	25,226	166,903	4,052,274
CHANGE IN NET POSITION	2,040,476	(300,435)	1,740,041	8,491,983
TOTAL NET POSITION, BEGINNING OF YEAR	124,652,130	91,283,008	215,935,138	207,443,155
TOTAL NET POSITION, END OF YEAR	$ 126,692,606	$ 90,982,573	$ 217,675,179	$ 215,935,138

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 15,751,977	$ 14,385,522	$ 30,137,499	$ 30,212,838
Receipts from other funds	3,000,000	-	3,000,000	-
Payments to suppliers	(1,797,002)	(2,618,512)	(4,415,514)	(6,695,521)
Payments to employees	(10,121,684)	(6,782,237)	(16,903,921)	(16,305,349)
Payments to other funds	-	(3,000,000)	(3,000,000)	-
Other operating payments	(2,576,631)	(1,822,739)	(4,399,370)	(4,572,691)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,256,660	162,034	4,418,694	2,639,277
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES				
Tax revenue	7,918,374	687,341	8,605,715	8,613,031
Payments from governmental agencies	272,214	627,691	899,905	341,389
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	8,190,588	1,315,032	9,505,620	8,954,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(7,352,286)	(4,718,907)	(12,071,193)	(10,660,157)
Repayment of debt	(9,592,140)	(597,583)	(10,189,723)	(3,356,366)
Proceeds from issuance of debt	6,662,622	2,201,037	8,863,659	3,614,462
Interest paid on long-term debt	(945,660)	(145,609)	(1,091,269)	(847,084)
Contributed capital	141,677	25,226	166,903	4,052,274
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(11,085,787)	(3,235,836)	(14,321,623)	(7,196,871)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	523,177	183,448	706,625	865,033
Purchase of investments	(14,970,200)	(5,259,800)	(20,230,000)	(26,013,269)
Proceeds from sale of investments	12,478,399	7,638,198	20,116,597	18,337,404
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(1,968,624)	2,561,846	593,222	(6,810,832)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(607,163)	803,076	195,913	(2,414,006)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,198,244	2,116,240	13,314,484	15,728,490
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,591,081	$ 2,919,316	$ 13,510,397	$ 13,314,484

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2021**	**2020**
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	$ 10,003,175	$ 1,775,151	$ 11,778,326	$ 10,406,307
Restricted cash and cash equivalents	587,906	1,144,165	1,732,071	2,908,177
TOTAL CASH AND CASH EQUIVALENTS	$ 10,591,081	$ 2,919,316	$ 13,510,397	$ 13,314,484
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating loss	$ (6,072,890)	$ (1,578,595)	$ (7,651,485)	$ (5,654,728)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization	4,809,909	4,332,579	9,142,488	8,811,621
Net change in deferred outflows and inflows	630,793	(115,383)	515,410	412,503
(Increase) decrease in:				
Receivables	(446,075)	144,109	(301,966)	(453,564)
Due from other funds	3,000,000	-	3,000,000	-
Other assets	978	(134,382)	(133,404)	46,442
Increase (decrease) in:				
Accounts payable	1,231,568	106,895	1,338,463	(970,505)
Net pension liability	637,495	424,996	1,062,491	1,002,703
Unearned revenue	192,800	28,712	221,512	(913,831)
Due to other funds	-	(3,000,000)	(3,000,000)	-
Other payables	272,082	(46,897)	225,185	358,636
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,256,660	$ 162,034	$ 4,418,694	$ 2,639,277
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (decrease) in fair value of investments	$ (409,187)	$ (219,009)	$ (628,196)	$ 465,728
Noncash capital contributions	141,677	25,226	166,903	4,052,274
Total Non-Cash Investing, Capital, and Financing Activities	$ (267,510)	$ (193,783)	$ (461,293)	$ 4,518,002

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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.

<u>Measurement Focus</u>

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

<u>Basis of Accounting</u>

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

C. Budget

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

D. Cash and Cash Equivalents

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments

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

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

F. Accounts Receivable

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

G. Inventory

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

H. Property and Equipment

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

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

I. Compensated Absences

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

J. Pension Plan

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Contributions

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

L. Estimates

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

M. Operating and Non-operating Revenues

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 for which both restricted and unrestricted net position are available.

P. Deferred Outflows and Inflows of Resources

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

Q. Net Position

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

R. Comparative Information

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2020, the District implemented the following accounting and financial reporting standards:

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. There was no significant financial impact to the District as a result of implementation.

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. There was no significant financial impact to the District as a result of implementation.

T. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2021 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.

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.

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 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Accounting Standards Board Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 93

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The District has not determined what impact, if any, this pronouncement will have on the financial statements. The removal of LIBOR as an appropriate benchmark interest rate is effective for the District's fiscal year ending June 30, 2022. All other requirements of this statement are effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 94

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

Government Accounting Standards Board Statement No. 96

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

Government Accounting Standards Board Statement No. 97

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a partial component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to the accounting and financial reporting for Section 457 plans are effective for the District's fiscal year ending June 30, 2022.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 consisted of the following:

Cash and cash equivalents:	
Unrestricted:	
Cash on hand	$ 2,450
Unrestricted deposits in financial institutions	2,481,443
Deposits in Local Agency Investment Fund (LAIF)	8,397,717
Deposits in El Dorado County Treasury	362,235
Deposits in California Asset Management Program (CAMP)	534,481
Total unrestricted cash and cash equivalents	11,778,326
Restricted:	
Restricted for debt service payment	1,732,071
Total restricted cash and cash equivalents	1,732,071
Total cash and cash equivalents	13,510,397
Investments:	
Unrestricted:	
Federal agency and instrumentalities	9,946,218
U.S. corporate debt	6,049,975
Asset backed securities	4,251,528
Supranationals	984,259
Municipal bonds	1,607,097
U.S. Treasury obligations	10,339,595
Negotiable certificates of deposit	1,697,128
Total unrestricted investments	34,875,800
Restricted:	
Negotiable certificates of deposit - security deposits	165,000
Total investments	35,040,800
Total cash and investments	$ 48,551,197

NOTE 2: CASH AND INVESTMENTS (continued)

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

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

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

Interest Rate Risk

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

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

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, 2021:

		Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1	1-2	3-5
Federal agency and instrumentalities	$ 9,946,218	$ -	$ 4,080,848	$ 5,865,370
U.S. corporate debt	6,049,975	980,218	4,423,054	646,703
Asset backed securities	4,251,528	241,263	3,364,831	645,434
Supranationals	984,259	984,259	-	-
Municipal bonds	1,607,097	-	1,607,097	-
U.S. Treasury obligations	10,339,595	-	10,339,595	-
Negotiable certificates of deposit	1,862,128	125,000	1,461,959	275,169
	$ 35,040,800	$ 2,330,740	$ 25,277,384	$ 7,432,676

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 lessor of the amount stipulated by the California Government Code or 10% of investments, with the exception of U.S. Treasury obligation bonds, U.S. Agency securities, and pooled investment funds.

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

Presented below is the actual rating as of June 30, 2021 for each investment type.

		Rating as of Fiscal Year End	
Investment Type	Total	S&P	N/A
Federal agency and instrumentalities	$ 9,946,218	AA+	
Municipal bonds	287,900	A+	
Municipal bonds	165,646	AA	
Municipal bonds	506,109	AA+	
Municipal bonds	451,143	AAA	
Municipal bonds	196,299		Not rated
U.S. corporate debt	1,399,004	A	
U.S. corporate debt	1,156,970	A-	
U.S. corporate debt	1,254,881	A+	
U.S. corporate debt	751,037	AA	
U.S. corporate debt	345,892	AA-	
U.S. corporate debt	282,892	AA+	
U.S. corporate debt	859,299	BBB+	
Asset-backed security	3,417,084	AAA	
Asset-backed security	834,444		Not rated
Supranationals	984,259	AAA	
U.S. Treasury obligations	10,339,595	AA+	
Negotiable certificates of deposit	261,221	A	
Negotiable certificates of deposit	540,623	A+	
Negotiable certificates of deposit	343,067	A-1	
Negotiable certificates of deposit	552,217	AA-	
Negotiable certificates of deposit	165,000		Not rated
	$ 35,040,800		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's Investment Policy requires the financial institution to either collateralize the deposits or cover them with Federal deposit insurance. The District's cash and deposits in financial institutions, totaling $3,217,771 as of June 30, 2021, are secured by federal depository insurance for $415,000 with the remainder covered by collateral held by an agent of the pledging bank in the District's name.

NOTE 2: CASH AND INVESTMENTS (continued)

Investment Valuation

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

Following is a description of the valuation methodologies used to estimate the fair value of investments. There have been no changes in the valuation techniques used at June 30, 2021. 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, 2021.

	Level 1	Level 2	Level 3	Total
Federal agency and instrumentalities	$ -	$ 9,946,218	$ -	$ 9,946,218
U.S corporate debt	-	6,049,975	-	6,049,975
Asset backed securities	-	4,251,528	-	4,251,528
Supranationals	-	984,259	-	984,259
Municipal bonds	-	1,607,097	-	1,607,097
U.S. Treasury obligations	-	10,339,595	-	10,339,595
Negotiable certificates of deposit	-	1,862,128	-	1,862,128
Total assets at fair value	$ -	$ 35,040,800	$ -	$ 35,040,800

NOTE 3: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Short-term receivables at June 30, 2021 consisted of the following:

	Sewer	Water	Total
Customer receivables	$ 547,006	$ 1,253,583	$ 1,800,589
Other receivables	67,262	87,495	154,757
Allowance for doubtful accounts	(101,811)	(77,615)	(179,426)
Accounts receivable, net of allowance	$ 512,457	$ 1,263,463	$ 1,775,920
Due from Federal Government	$ 188,358	$ 2,500	$ 190,858
Due from State Government	11,670	261,775	273,445
Due from El Dorado County	23,052	154,490	177,542
Due from governmental agencies	$ 223,080	$ 418,765	$ 641,845

Long-term receivables at June 30, 2021 consisted of the following:

	Sewer	Water	Total
Customer receivables	$ 779,409	$ -	$ 779,409
Due from State Government	73,020	73,020	146,040
Accounts receivable	$ 852,429	$ 73,020	$ 925,449

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, 2021 was as follows:

	July 1, 2020	Additions	Retirements	Transfers	June 30, 2021
Capital assets not being depreciated					
Land and easement	$ 24,745,627	$ 24,534	$ -	$ 361,067	$ 25,131,228
Water rights	1,668,308	-	-	-	1,668,308
Construction in progress	21,901,859	5,514,572	(246,863)	(16,231,059)	10,938,509
Total capital assets not being depreciated	48,315,794	5,539,106	(246,863)	(15,869,992)	37,738,045
Capital assets being depreciated					
Plant and equipment	349,867,525	6,532,087	(75,139)	15,869,992	372,194,465
Less accumulated depreciation					
Plant and equipment	(168,513,735)	(9,142,488)	73,181	-	(177,583,042)
Total capital assets being depreciated, net	181,353,790	(2,610,401)	(1,958)	15,869,992	194,611,423
Capital assets, net	$ 229,669,584	$ 2,928,705	$ (248,821)	$ -	$ 232,349,468

NOTE 4: CAPITAL ASSETS (continued)

Construction in progress as of June 30, 2021 consisted of the following:

Al Tahoe Pump St Rehab	$ 184,489
Alpine County Master Plan	814,566
Collection system master plan	507,257
Generator, emergency blower	361,640
Keller-Heavenly System Improvements	1,400,179
LPPS #2 pump	317,351
LPPS pump #1 new	320,857
LPPS valve/pipe improvements	967,386
Luther Pass PS Tank Rehab	1,159,831
New 60,000# truck lift	151,044
Scada upgrades	155,454
Secondary clarifier #1 rehab	222,190
Secondary clarifier #2 rehab	274,468
Secondary clarifier #3 rehab	1,088,241
Tahoe Keys Sewer PS Rehab	626,208
Tallac Creek sewer crossing	155,802
Upper Truckee Sewer PS Rehab	486,732
Water reuse inverted siphon	256,592
Water system optimization plan	377,167
Waterline, Herbert Walkup PH1	100,876
Waterline, replacement blower	70,907
Waterline, Rocky Point 1	229,756
Wildwood intercept	176,501
Other projects	533,015
	$ 10,938,509

Depreciation expense for the year ended June 30, 2021 was charged to the different activities as follows:

Sewer	$ 4,809,909
Water	4,332,579
	$ 9,142,488

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, 2021:

	Sewer	Water	Total
Grant advance for generator	$ 192,800	$ -	$ 192,800
Meters sold but not issued	-	48,905	48,905
	$ 192,800	$ 48,905	$ 241,705

NOTE 6: LONG TERM LIABILITIES

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	July 1, 2020	Additions	Reductions	June 30, 2021	Current Portion
SRF Luther Pass Pump Station	$ 1,589,749	$ -	$ (1,589,749)	$ -	$ -
SRF Headworks	644,467	-	(644,467)	-	-
SRF Emergency Retention Basin	871,869	-	(871,869)	-	-
2011 Sewer Installment Agreement	4,312,294	-	(4,312,294)	-	-
2012 Sewer Refunding	4,316,674	-	(921,242)	3,395,432	942,553
2013 Sewer Refunding	4,684,675	-	(576,117)	4,108,558	590,377
SRF Luther Pass Power	4,262,259	-	(121,858)	4,140,401	123,807
SRF Diamond Valley Ranch Irrigation Imp.	7,338,725	-	(209,813)	7,128,912	213,170
SRF Aeration Basin #2 Rehabilitation	1,013,632	-	(28,567)	985,065	29,053
SRF Primary Clarifier #1 Rehabilitation	549,328	-	(15,482)	533,846	15,745
Chase Bank Sewer Loan	4,270,519	-	(300,682)	3,969,837	307,272
2021 Wastewater Revenue Refunding Bond	-	5,745,000	-	5,745,000	510,000
Premium on bond	-	917,622	-	917,622	-
2013 Water Refunding	4,233,207	-	(381,631)	3,851,576	390,343
SRF Meters Phase 1	3,094,419	-	(116,771)	2,977,648	116,771
SRF Meters Phase 2	979,702	-	(48,928)	930,774	49,714
SRF Meters Phase 3 - 5	6,971,707	762,541	-	7,734,248	196,693
SRF Waterline Replacement	1,906,556	1,438,496	(50,253)	3,294,799	71,848
Total	$ 51,039,782	$ 8,863,659	$ (10,189,723)	$ 49,713,718	$ 3,557,346

A description of the long-term liabilities at June 30, 2021 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, 2021, principal and interest payments accounted for 0.7% of total sewer revenues. This loan was refunded during the current fiscal year with the 2021 Wastewater Revenue Refunding Bond.

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, 2021, principal and interest payments accounted for 0.2% of total sewer revenues. This loan was refunded during the current fiscal year with the 2021 Wastewater Revenue Refunding Bond.

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, 2021, principal and interest payments accounted for 0.3% of total sewer revenues. This loan was refunded during the current fiscal year with the 2021 Wastewater Revenue Refunding Bond.

NOTE 6: LONG TERM LIABILITIES (continued)

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, 2021, principal and interest payments accounted for 1.8% of total sewer revenues. This loan was refunded during the current fiscal year with the 2021 Wastewater Revenue Refunding Bond.

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, 2021, principal and interest payments accounted for 4.0% 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, 2021, principal and interest payments accounted for 2.7% 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, 2021, principal and interest payments accounted for 0.8% 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, 2021, principal and interest payments accounted for 1.3% 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, 2021, 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, 2021, 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, 2021, principal and interest payments accounted for 0.0% of total sewer revenues.

NOTE 6: LONG TERM LIABILITIES (continued)

2021 Wastewater Revenue Refunding Bond

2021 Wastewater Revenue Refunding Bond, secured by a first pledge of net revenues of the wastewater system, due August 1, 2031, payable semi-annually, including interest at 2 - 4%. The original amount of the bond was $5,745,000 and was used for prepayment of the outstanding principal balances of three loans from the California State Water Resources Control Board and prepayment of Installment Sale Agreement with BBVA Compass Bank, all of which funded wastewater infrastructure improvements. For the year ended June 30, 2021, principal and interest payments accounted for 0.0% 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, 2021, principal and interest payments accounted for 2.0% of total water revenues.

SRF Meters Phase 1

2014 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due January 1, 2047, payable $58,385 semi-annually, including interest of 0%. The original amount of the debt was $3,503,116 and was used for installation of water meters. Imputed interest for this loan is not material. For the year ended June 30, 2021, principal and interest payments accounted for 0.5% 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, 2021, principal and interest payments accounted for 0.3% 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, 2021 the District incurred a total of $11,734,246 in Phase 3 - 5 costs, of which $4,000,000 has been forgiven.

SRF Waterline Replacement

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for the waterline replacement project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of $3,627,005. Semi-annual principal payments will occur each January 1 and July 1, commencing January 1, 2020. The loan accrues interest at a rate of 1.7% annually. Final payment is due July 1, 2049. For the year ended June 30, 2021, principal and interest payments accounted for 0.3% of total water revenues.

NOTE 6: LONG TERM LIABILITIES (continued)

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

	Principal	Interest	Total
Years ending June 30,			
2022	$ 3,557,346	$ 840,914	$ 4,398,260
2023	3,597,041	835,020	4,432,061
2024	3,682,593	754,507	4,437,100
2025	3,256,967	669,545	3,926,512
2026	2,820,244	615,732	3,435,976
2027 - 2031	12,186,864	2,071,957	14,258,821
2032 - 2036	5,873,657	1,130,663	7,004,320
2037 - Thereafter	14,739,006	1,367,749	16,106,755
	$ 49,713,718	$ 8,286,087	$ 57,999,805

Interest charges on debt, including amounts capitalized totaling $123,727, for the year ended June 30, 2021 was $1,046,865.

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, 2021.

NOTE 7: COMPENSATED ABSENCES

Compensated absences balance and activity for the year ended June 30, 2021 were as follows:

	July 1, 2020	Additions	Reductions	June 30, 2021	Current Portion
Compensated absences	$ 3,349,636	$ 2,282,639	$ (2,247,488)	$ 3,384,787	$ 1,154,426

NOTE 8: 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.

NOTE 8: PENSION PLAN (continued)

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

The rate plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous Plan	
	Hired prior to January 1, 2013	Hired on or after January 1, 2013
Benefit Formula	2.7% at 55	2.0% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rate	8.000%	6.250%
Required Employer Contribution Rate	13.515%	7.732%

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, 2021 were $2,070,278.

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

As of June 30, 2021, the District reported a net pension liability of $11,922,413 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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2021 and 2020 was follows:

Proportion - June 30, 2020	0.27119 %
Proportion - June 30, 2021	0.28265 %
Change - increase	0.01146 %

NOTE 8: PENSION PLAN (continued)

For the year ended June 30, 2021, the District recognized pension expense of $2,849,216. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 2,070,278	$ -
Change in employer's proportion	490,678	-
Difference between actual and expected experience	614,397	-
Changes in assumptions	-	85,036
Difference between employer contributions and the employer's proportionate share of the risk pool's contributions	38,564	17,216
Net difference between projected and actual earning on plan investments	354,174	-
Total	$ 3,568,091	$ 102,252

$2,070,278 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, 2022. 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,	
2022	$ 386,923
2023	498,633
2024	340,135
2025	169,870

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies

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

NOTE 8: PENSION PLAN (continued)

All other actuarial assumptions used in the June 30, 2019 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 and forecasted information for all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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

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

NOTE 8: 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	$18,981,201	$11,922,413	$6,089,957

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 9: 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 2021).

The 457 Plan assets totaled $21,045,298 at June 30, 2021. 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 10: 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 12. 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 11: COMMITMENTS AND CONTINGENCIES

A. Contractual Obligations

At June 30, 2021, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately $14.4 million.

At June 30, 2021, 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.

NOTE 11: 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, 2021. 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 12: 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, 2020 (the most recent information available):

Total assets	$ 237,525,073
Total deferred outflows of resources	1,054,750
Total liabilities	113,075,164
Total deferred inflows of resources	1,817,452
Net assets	123,687,207
Total income	197,639,443
Total expense	172,886,738

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

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

NOTE 12: JOINT POWERS AUTHORITY (continued)

The following is a summary of the most current audited financial information for the CAMP portfolio as of December 31, 2020 (the most recent information available):

Total assets	$ 6,995,677,595
Total liabilities	868,605
Net assets	6,994,808,990
Total income	46,556,176
Total expenses	6,938,990
Net increase in net assets resulting from operations	39,617,186

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

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

NOTE 13: INVESTMENT EARNINGS

Investment earnings consisted of the following for the year ended June 30, 2021:

Interest income	$ 505,985
Net realized and unrealized losses	(373,703)
	$ 132,282

NOTE 14: OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the year ended June 30, 2021:

Professional services	$ 1,870,275
Operating permits	479,992
Chemical supplies	353,325
Office expense	212,855
Insurance and unreimbursed claims	524,921
Travel, meetings, and education	39,499
Research and monitoring	68,115
Equipment and building rent expense	194,916
Fuel expenses	149,118
Taxes, street lighting, and mitigation	125,969
Community incentive	145,319
Dues and certification	138,433
Miscellaneous expense	96,633
	$ 4,399,370

NOTE 15: SUBSEQUENT EVENTS

On August 25, 2021, the District executed a construction installment sale agreement with the California State Water Resources Control Board for $5,500,000 to fund the Keller Heavenly Water System Improvement Project. Construction is to begin no later than August 1, 2021 and be completed by October 15, 2023. The loan will be payable annually over 30 years, including interest of 1.2%.

Management has evaluated events subsequent to June 30, 2021 through November 18, 2021, the date on which the financial statements were available to be issued. Management has determined no other subsequent events requiring disclosure have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2021
LAST 10 YEARS *

	Measurement Period						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.28265 %	0.27119 %	0.26155 %	0.25724 %	0.24871 %	0.25560 %	0.24100 %
Proportionate share of the net pension liability	$11,922,413	$10,859,922	$ 9,857,219	$10,140,589	$ 8,639,873	$ 7,012,372	$ 5,945,128
Covered payroll	$10,293,860	$ 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	115.82 %	110.26 %	102.14 %	108.95 %	91.64 %	79.76 %	67.45 %
Plan fiduciary net position as a percentage of the total pension liability	75.10 %	75.26 %	75.26 %	73.31 %	74.06 %	78.40 %	79.82 %

Notes to Schedule:

Changes in assumptions: In 2020 and 2019, there were no changes in assumptions. In 2018, assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. In 2017, amounts reported reflect an adjustment of the discount rate from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect and adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only seven 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, 2021
LAST 10 YEARS *

	Fiscal Year-End						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 2,070,278	$ 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	2,070,278	1,813,910	1,601,072	1,446,366	1,369,744	1,278,986	1,545,374
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$10,844,940	$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	19.09 %	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 seven 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2021.

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.

Maze & Associates CPAs

Sacramento, California
November 18, 2021