SOUTH TAHOE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023

MUN CPAS, LLP
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SACRAMENTO, CALIFORNIA 95833

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of South Tahoe Public Utility District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

Change in Accounting Principle

As described in Notes 1, 4, 7, and 15 to the financial statements, during the fiscal year ending June 30, 2023, the District adopted new accounting guidance, GASB Statement No. 96, *SBITAs*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the District's 2022 basic financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

MUN CPAs

Sacramento, California
November 28, 2023

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 2022-23, the District invested nearly $6.0 million in water infrastructure. With advances in asset management tools, the District now utilizes a strategic set of criteria to determine construction priorities.

The District is continuing to install water meters on all service connections to meet the California state mandate, which requires all water providers with greater than 3,000 service connections be completely metered by 2025. During fiscal year 2010-11, the District began by completing installation of approximately 2,500 meters funded with a $4.4 million grant. Through the end of 2022-23, approximately 11,500 additional meters have been installed. These additional installations increased the portion of the water system metered to approximately 99%. These meters have been funded with three loans, the largest being a low-cost $14 million loan secured through the California State Water Resources Control Board. The loan has a 30-year term with an interest rate of 1.8% and includes $4 million in principal forgiveness. The remaining 1% of unmetered service connections will have meters installed within the next two years and will be funded with water service charge revenues.

Approximately 10% of the water distribution system is undersized and does not provide appropriate water flows to meet fire protection standards. The waterline, pumping, and storage replacement program improves water quality, quantity, and fire suppression capabilities. As a public service, each waterline project also includes installation of fire hydrants at 500-foot intervals. During fiscal year 2022-23, the District spent $3.4 million on waterline replacements and hydrant installations.

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2022-23, $6.6 million was invested in sewer infrastructure improvements. A few of the projects completed during the year were the rehabilitation of the Tahoe Keys sewer pump station, one of the secondary clarifiers at the treatment plant, the Tallac Creek sewer crossing, and planning and design work for additional pump station rehabilitations.

- During the year $12.2 million was invested in sewer and water infrastructure and equipment.
- Net position of the District increased $3.8 million or 1.7%.
- The Sewer and Water Enterprise Funds' income is $617,473 and $3,204,417, respectively.
- Operating revenue is up 8.0% due to an increase in service charges.
- Combined operating and nonoperating expenses less depreciation increased 8.3% from the prior year, but came in 4.1% under budget.
- In fiscal year 2022-23, the District recognized competitive grants totaling more than $3.2 million, following $1.7 million awarded in 2021-22 and $.6 million awarded in 2020-21. 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 with additional information required by generally accepted accounting principles (GAAP). Preceding the basic financial statements is Management's Discussion and Analysis, which is required supplementary information to the basic financial statements.

The Statement of Net Position includes the District's assets 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

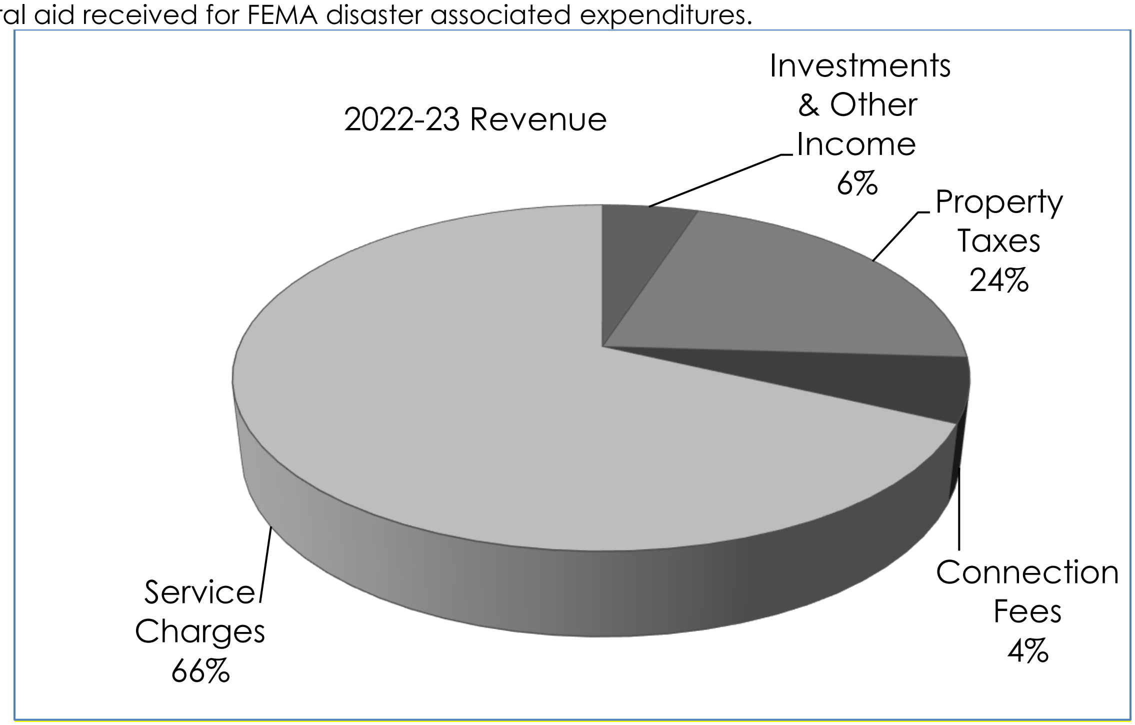
The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, 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 outflows/deferred inflows. The net pension liability reported in the Statement of Net Position for years ended June 30, 2023 and 2022 was $14.4 million and $5.8 million respectively. For more information on the District's pension plan, see Note 9 of the Notes to the Financial Statements.

Net Position
(in thousands)

	June 30			
	2023	2022	Change	Change
Current and other	$ 59,839	$ 62,947	($ 3,108)	(4.9%)
Capital assets	241,610	236,120	5,490	2.3%
Total assets	$301,449	$299,067	$2,382	0.8%
Deferred outflows of resources	$7,348	$3,546	$3,802	107.2%
Debt outstanding	$ 51,198	$ 49,090	$2,108	4.3%
Net Pension Liability	14,442	5,830	8,612	147.7%
Other liabilities	8,319	12,739	(4,420)	(34.7%)
Total liabilities	$ 73,959	$ 67,659	$6,300	9.3%
Deferred inflows of resources	$12,949	$16,887	($3,938)	(23.3%)
Net investment in capital assets	$190,609	$187,253	$ 3,356	1.8%
Restricted for security deposits	165	165	0	0.0%
Restricted for debt service payment	1,849	1,732	117	6.8%
Unrestricted	29,266	28,917	349	1.2%
Total net position	$221,889	$218,067	$3,822	1.8%

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2022-23 is $46.0 million, a $5.3 million or a 13.0% increase from the prior year. The 2023 service charge revenue is up by $2.5 million due to 9% and 8% increases to water and sewer service charge rates, respectively. Connection fees are up $0.1 million or 4.8%, reflecting an increase in both commercial and residential development. Property tax revenue is up $1.0 million or 9.8%, 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 2.4% for 2023-24. Investment income is up due to a higher interest rate environment and recorded increases to the fair value of investments, while other income is up $.1 million from the prior year due to state and federal aid received for FEMA disaster associated expenditures.

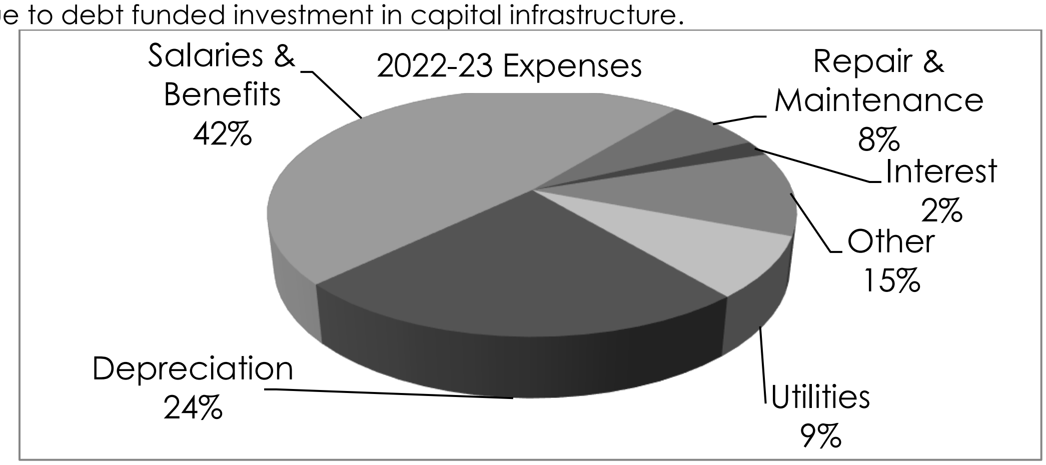


Revenues
(in thousands)

	June 30 2023	2022	Change	Change
Service charges	$30,414	$27,966	$ 2,448	8.8%
Connection fees	2,103	2,006	97	4.8%
Other	653	742	(89)	(12.0%)
Total operating revenue	33,170	30,714	2,456	8.0%
Property taxes	10,855	9,886	969	9.8%
Investments	461	(1,198)	1,659	(138.5%)
Other	1,474	1,266	208	16.4%
Total non-operating revenue	12,790	9,954	2,836	28.5%
Total revenue	$45,960	$40,668	$ 5,292	13.0%

Revenue and Expenses - Continued

Total operating expenses for the current year are $43.1 million, up $3.0 million from the prior year. The increase to salaries and benefits was $1.1 million, or 6.0%. 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 2023 was $806,717 compared to $947,047 in the prior year. The GASB 68 pension expense adjustment for fiscal year 2023 was $154,352 million compared to ($966,375) million in the prior year. The year-over-year change of the required GASB 68 pension expense recognition was $1.2 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 GASB 68 adjustment, the 2023 decrease compared to the prior year was $178,462 or 0.9%. Although a 2.5% cost of living adjustment was implemented at the beginning of the year, overall salaries decreased by approximately $285,000, or 2.2% due to the vacancies of two management positions during the entire year. There were other operational positions that were also vacant for portions of the year due to hiring challenges. Total benefits increased by $106,000 or 1.6% due to an increase in retirement benefit expenses. CalPERS classic plan employer rates increased from 25.356% to 27.300% of salaries. Depreciation expense increased by 4.4% illustrating the District's continued investment in new infrastructure. Utilities, which fluctuate year to year due to winter severity, increased 9.1% in 2023 due to continued rate increases implemented by the local power supplier. Repair and maintenance expenditures, which increased 11.5%, fluctuate year to year based on unexpected or planned projects, but in 2023 there were increased expenses due to the required response to the winter storms and associated flooding and avalanche damage. 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 13.4% due to debt funded investment in capital infrastructure.



Expenses
(in thousands)

	June 30			
	2023	2022	Change	Change
Operating expenses:				
Salaries and benefits	$18,475	$17,423	$ 1,052	6.0%
Depreciation	10,453	10,014	439	4.4%
Utilities	4,074	3,735	339	9.1%
Repair and maintenance	3,785	3,395	390	11.5%
Other	6,298	5,556	742	13.4%
Total operating expenses	43,085	40,124	2,961	7.4%
Non-operating expenses:				
Interest expense	833	770	63	8.2%
Other	286	271	15	5.5%
Total non-operating expenses	1,119	1,041	78	7.5%
Total expenses	$44,204	$41,165	$ 3,039	7.4%

Revenue and Expenses - Continued

The fiscal year 2022-23 income before capital contributions is $1.8 million as compared to the actual prior year loss of ($0.5) million. For the year, capital contributions increased net position an additional $2.1 million.

Changes in Net Position
(in thousands)

	June 30			
	2023	2022	Change	Change
Beginning net position	$218,067	$217,703	$364	0.2%
Change in accounting principle		33	(33)	(100.0%)
Beginning net position (restated)	218,067	217,736	331	0.2%
Income before contributions	1,756	(497)	2,253	(453.3%)
Capital contributions	2,066	828	1,238	149.5%
Changes in net position	3,822	331	3,491	1,054.7%
Ending net position	$221,889	$218,067	$3,822	1.8%

Capital Assets

The District's investment in its sewer and water systems is $242 million at the end of the fiscal year net of depreciation. During the year, more than $12 million was spent on new infrastructure and equipment. $5.6 million was spent on water system improvements. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. For the year, $6.6 million 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	
	2023	2022	2023	2022	2023	2022
Land and easements	$ 23,035	$ 23,035	$ 2,096	$ 2,096	$ 25,131	$ 25,131
Water rights	-	-	1,668	1,668	1,668	1,668
Plant and equipment	99,545	102,774	94,586	93,070	194,131	195,844
Intangible right-to-use software agreements	29	61	30	62	59	123
Construction in Progress	10,656	5,691	9,965	7,663	20,621	13,354
Total	$133,265	$131,561	$108,345	$104,559	$241,610	$236,120

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

Debt Administration

The District prefers to avoid funding capital improvement projects with debt, but will do so when necessary to keep service rates at reasonable levels. The District received a new credit rating in April 2021 when it was preparing to issue sewer refunding bonds. S&P Global provided an AA rating for the bond issuance. At year-end, the District had $50.4 million in installment sales and loans outstanding as detailed below. As always, grant opportunities and low-interest subsidized loans are pursued by the District.

Outstanding Debt at Year End
(in thousands)

	June 30,	
	2023	2022
Sewer Enterprise Fund:		
California State Revolving Loan Fund (secured by sewer revenue)	6,699	6,916
California State Revolving Loan Fund (secured by sewer revenue)	3,891	4,016
Sewer Refunding (secured by sewer revenue)	2,913	3,518
Sewer Refunding (secured by sewer revenue)	1,489	2,453
Installment Sale Agreement (secured by sewer revenue)	3,349	3,663
California State Revolving Loan Fund (secured by sewer revenue)	926	956
California State Revolving Loan Fund (secured by sewer revenue)	502	518
California State Revolving Loan Fund (secured by sewer revenue)	3,444	0
2021 Wastewater Revenue Refunding Bonds (secured by sewer revenue)	4,770	5,235
Total sewer enterprise fund	27,983	27,275
Water Enterprise Fund:		
Water Refunding (secured by water revenue)	2,859	3,461
California State Revolving Loan Fund (secured by water revenue)	2,744	2,861
California State Revolving Loan Fund (secured by water revenue)	830	881
California State Revolving Loan Fund (secured by water revenue)	9,307	9,561
California State Revolving Loan Fund (secured by water revenue)	3,133	3,224
California State Revolving Loan Fund (secured by water revenue)	1,799	905
California State Revolving Loan Fund (secured by water revenue)	1,785	0
Total water enterprise fund	22,457	20,893
Total debt	$ 50,440	$ 48,168

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

Contacting the District's Financial Management

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

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH RESTATED COMPARATIVE TOTALS FOR JUNE 30, 2022)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2023**	**2022 (RESTATED)**
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	$ 8,680,763	$ 1,012,328	$ 9,693,091	$ 9,901,252
Investments (Note 2)	1,224,872	576,469	1,801,341	2,449,816
Accounts receivable, net of allowance (Note 3)	1,803,984	1,492,516	3,296,500	1,908,812
Due from governmental agencies (Note 3)	1,338,080	1,228,164	2,566,244	1,313,405
Property tax receivable	10,775,917	-	10,775,917	10,006,301
Interest receivable	139,995	65,578	205,573	108,762
Leases receivable - current (Note 5)	38,841	38,841	77,682	77,682
Other current assets	294,179	1,085,865	1,380,044	1,452,863
Total current assets	24,296,631	5,499,761	29,796,392	27,218,893
Noncurrent assets				
Restricted assets:				
Cash and cash equivalents (Note 2)	587,907	1,260,882	1,848,789	1,732,071
Certificate of deposit (Note 2)	50,000	115,000	165,000	165,000
Total restricted assets	637,907	1,375,882	2,013,789	1,897,071
Long-term accounts receivable (Note 3)	739,191	-	739,191	561,245
Due from governmental agencies (Note 3)	73,020	73,020	146,040	146,040
Investments (Note 2)	17,304,513	8,144,508	25,449,021	31,372,537
Capital assets, net of accumulated depreciation (Note 4)	133,264,773	108,345,338	241,610,111	236,120,333
Leases receivable - long-term (Note 5)	847,268	847,268	1,694,536	1,750,802
Total noncurrent assets	152,866,672	118,786,016	271,652,688	271,848,028
Total Assets	177,163,303	124,285,777	301,449,080	299,066,921
DEFERRED OUTFLOW OF RESOURCES				
Refunding loan costs	80,029	-	80,029	105,520
Changes in the net pension liability (Note 9)	4,393,373	2,874,331	7,267,704	3,440,593
Total Deferred Outflows of Resources	$ 4,473,402	$ 2,874,331	$ 7,347,733	$ 3,546,113

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023
(WITH RESTATED COMPARATIVE TOTALS FOR JUNE 30, 2022)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2023**	**2022 (RESTATED)**
LIABILITIES				
Current liabilities				
Accounts payable and other liabilities	$ 1,588,611	$ 1,728,337	$ 3,316,948	$ 6,085,030
Unearned revenue (Note 6)	-	11,005	11,005	210,913
Accrued expenses	13,422	142,732	156,154	442,379
Accrued payroll liabilities	273,678	203,133	476,811	349,283
Construction retainage	647,754	228,907	876,661	1,443,251
Accrued interest payable	244,756	68,430	313,186	370,665
Deposits payable	-	370,000	370,000	475,000
Compensated absences - current portion (Note 8)	1,109,831	814,475	1,924,306	1,520,856
Long term liabilities - current portion (Note 7)	2,813,514	673,354	3,486,868	3,664,168
Total current liabilities	6,691,566	4,240,373	10,931,939	14,561,545
Noncurrent liabilities				
Compensated absences - long term portion (Note 8)	518,735	355,118	873,853	1,841,547
Long term liabilities - long term portion (Note 7)	25,920,340	21,790,720	47,711,060	45,425,675
Net pension liability (Note 9)	8,765,058	5,677,083	14,442,141	5,830,236
Total long-term liabilities	35,204,133	27,822,921	63,027,054	53,097,458
Total Liabilities	41,895,699	32,063,294	73,958,993	67,659,003
DEFERRED INFLOWS OF RESOURCES				
Property tax receivable	10,775,917	-	10,775,917	10,006,301
Changes in the net pension liability (Note 9)	282,069	188,045	470,114	5,100,555
Lease receivable (Note 5)	851,454	851,454	1,702,908	1,780,184
Total Deferred Inflows of Resources	11,909,440	1,039,499	12,948,939	16,887,040
NET POSITION				
Net Investment in capital assets	104,610,948	85,998,357	190,609,305	187,252,824
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for debt service payment	587,907	1,260,882	1,848,789	1,732,075
Unrestricted	22,582,711	6,683,076	29,265,787	28,917,092
Total Net Position	$ 127,831,566	$ 94,057,315	$ 221,888,881	$ 218,066,991

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, 2023
(WITH RESTATED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Business-type Activities Enterprise Funds		Total	
	Sewer	**Water**	**2023**	**2022 (RESTATED)**
OPERATING REVENUE				
Charges for sales and services:				
Service charges	$ 16,655,399	$ 13,758,694	$ 30,414,093	$ 27,965,786
Connection and service fees	722,872	1,380,222	2,103,094	2,005,643
Other operating income	360,931	291,792	652,723	742,093
Total operating revenues	17,739,202	15,430,708	33,169,910	30,713,522
OPERATING EXPENSES				
Salaries, wage and employee benefits	11,577,985	6,897,163	18,475,148	17,422,839
Depreciation and amortization	5,762,985	4,690,300	10,453,285	10,014,462
Utilities	3,035,857	1,037,709	4,073,566	3,735,268
Repairs and maintenance	1,694,537	2,090,193	3,784,730	3,395,246
Other operating expenses (Note 14)	4,504,105	1,793,938	6,298,043	5,556,157
Total operating expenses	26,575,469	16,509,303	43,084,772	40,123,972
OPERATING LOSS	(8,836,267)	(1,078,595)	(9,914,862)	(9,410,450)
NONOPERATING REVENUE (EXPENSE)				
Tax revenue	8,253,252	2,601,966	10,855,218	9,885,822
Investment earnings (loss) (Note 13)	358,597	102,241	460,838	(1,198,191)
Aid from governmental agencies	795,803	331,286	1,127,089	908,608
Other nonoperating income	67,045	280,197	347,242	357,579
Interest expense	(510,224)	(322,967)	(833,191)	(770,140)
Other expense	(233,069)	(53,052)	(286,121)	(270,591)
Total nonoperating revenue, net	8,731,404	2,939,671	11,671,075	8,913,087
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(104,863)	1,861,076	1,756,213	(497,363)
CAPITAL CONTRIBUTIONS				
Capital contributions	722,336	1,343,341	2,065,677	828,641
CHANGE IN NET POSITION	617,473	3,204,417	3,821,890	331,278
TOTAL NET POSITION, BEGINNING OF YEAR	127,214,093	90,852,898	218,066,991	217,702,945
CHANGE IN ACCOUNTING PRINCIPLE (Note 15)	-	-	-	32,768
TOTAL NET POSITION, BEGINNING OF YEAR (RESTATED)	127,214,093	90,852,898	218,066,991	217,735,713
TOTAL NET POSITION, END OF YEAR	$ 127,831,566	$ 94,057,315	$ 221,888,881	$ 218,066,991

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH RESTATED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2023	2022 (RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 16,098,980	$ 15,200,388	$ 31,299,368	$ 30,885,002
Payments to suppliers	(6,061,412)	(5,012,638)	(11,074,050)	(4,390,455)
Payments to employees	(11,056,485)	(7,136,214)	(18,192,699)	(17,093,961)
Other operating payments	(4,504,105)	(1,793,938)	(6,298,043)	(5,556,157)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(5,523,022)	1,257,598	(4,265,424)	3,844,429
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES				
Tax revenue	7,483,636	2,601,966	10,085,602	9,144,316
Payments from (to) governmental agencies	(65,399)	57,036	(8,363)	(272,630)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	7,418,237	2,659,002	10,077,239	8,871,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(7,656,484)	(8,568,901)	(16,225,385)	(13,836,038)
Repayment of debt	(2,822,987)	(1,114,932)	(3,937,919)	(3,714,391)
Proceeds from issuance of debt	3,444,033	2,679,497	6,123,530	2,999,360
Interest paid on long-term debt	(508,220)	(356,959)	(865,179)	(704,665)
Contributed capital	722,336	1,343,341	2,065,677	828,641
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(6,821,322)	(6,017,954)	(12,839,276)	(14,427,093)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	473,035	222,133	695,168	373,712
Purchase of investments	(9,929,350)	(4,055,650)	(13,985,000)	(19,284,283)
Proceeds from sale of investments	15,231,041	4,994,809	20,225,850	18,744,475
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	5,774,726	1,161,292	6,936,018	(166,096)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	848,619	(940,062)	(91,443)	(1,877,074)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,420,051	3,213,272	11,633,323	13,510,397
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,268,670	$ 2,273,210	$ 11,541,880	$ 11,633,323

See accompanying notes to the basic financial statements.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2023	2022 (RESTATED)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	$ 8,680,763	$ 1,012,328	$ 9,693,091	$ 9,901,252
Restricted cash and cash equivalents	587,907	1,260,882	1,848,789	1,732,071
TOTAL CASH AND CASH EQUIVALENTS	$ 9,268,670	$ 2,273,210	$ 11,541,880	$ 11,633,323
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating loss	$ (8,836,267)	$ (1,078,595)	$ (9,914,862)	$ (9,410,450)
Adjustments to reconcile operating loss to net cash (used for) provided by operating activities:				
Depreciation and amortization	5,762,985	4,690,300	10,453,285	10,014,462
Net change in deferred outflows and inflows	(4,343,553)	(3,421,659)	(7,765,212)	6,443,439
Construction-in-progress write-off	150,834	53,962	204,796	236,173
(Increase) decrease in:				
Receivables	(1,447,422)	(118,212)	(1,565,634)	85,272
Other assets	(18,937)	91,756	72,819	(284,214)
Increase (decrease) in:				
Accounts payable	(932,472)	(1,835,610)	(2,768,082)	2,014,956
Net pension liability	5,167,143	3,444,762	8,611,905	(6,092,177)
Unearned revenue	(192,800)	(7,108)	(199,908)	(30,792)
Other payables	(832,533)	(561,998)	(1,394,531)	867,760
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	$ (5,523,022)	$ 1,257,598	$ (4,265,424)	$ 3,844,429
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
(Decrease) increase in fair value of investments	$ 313,077	$ 80,969	$ 394,046	$ (1,482,846)
Total Non-Cash Investing, Capital, and Financing Activities	$ 313,077	$ 80,969	$ 394,046	$ (1,482,846)

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

The District reports the following major funds:

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

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

B. Measurement Focus, Basis of Accounting and Presentation

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

<u>Measurement Focus</u>

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

<u>Basis of Accounting</u>

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

C. Budget

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

D. Cash and Cash Equivalents

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments

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

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

F. Accounts Receivable

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

G. Inventory

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

H. Capital Assets

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

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

I. Compensated Absences

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

J. Pension Plan

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Contributions

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

L. Estimates

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

M. Operating and Non-operating Revenues and Expenses

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

N. Property taxes

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

O. Restricted Resources

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

P. Deferred Outflows and Inflows of Resources

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

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

Q. Net Position

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Leases

Lessor

The District is a lessor for noncancellable leases for cell tower sites. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimate and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

S. Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is defined as a contractual agreement that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) solftware, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

The District uses various SBITA assets, such as software as a service and platform as a service. The related obligations are presented in amounts equal to the present value of subscription payments, payable during the remaining SBITA term. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

T. 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.

U. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2022, the District implemented the following accounting and financial reporting standards:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. The District has implemented this statement. See Notes 4, 7, and 15 for the impact on the financial statements.

V. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2023 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. 99

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

Governmental Accounting Standards Board Statement No. 100

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

Governmental Accounting Standards Board Statement No. 101

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 consisted of the following:

Cash and cash equivalents:	
Unrestricted:	
Cash on hand	$ 2,450
Unrestricted deposits in financial institutions	4,380,017
Deposits in Local Agency Investment Fund (LAIF)	3,983,729
Deposits in El Dorado County Treasury	1,241,254
Deposits in California Asset Management Program (CAMP)	85,641
Total unrestricted cash and cash equivalents	9,693,091
Restricted:	
Restricted for debt service payments	1,848,789
Total restricted cash and cash equivalents	1,848,789
Total cash and cash equivalents	11,541,880
Investments:	
Unrestricted:	
Federal agency and instrumentalities	1,639,780
U.S. corporate debt	6,556,907
Asset backed securities	4,963,791
Supranationals	650,259
Municipal bonds	903,131
U.S. Treasury obligations	11,959,175
Negotiable certificates of deposit	577,319
Total unrestricted investments	27,250,362
Restricted:	
Negotiable certificates of deposit - security deposits	165,000
Total investments	27,415,362
Total cash and investments	$ 38,957,242

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

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

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

Interest Rate Risk

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

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2023:

		Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1	1-2	3-5
Federal agency and instrumentalities	$ 1,639,780	$ 139,329	$ 1,228,713	$ 271,738
U.S. corporate debt	6,556,907	672,082	5,777,156	107,669
Asset backed securities	4,963,791	16,949	1,413,045	3,533,797
Supranationals	650,259	-	650,259	-
Municipal bonds	903,131	758,737	144,394	-
U.S. Treasury obligations	11,959,175	-	-	11,959,175
Negotiable certificates of deposit	742,319	-	742,319	-
	$ 27,415,362	$ 1,587,097	$ 9,955,886	$ 15,872,379

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, 2023 for each investment type.

		Rating as of Fiscal Year End	
Investment Type	Total	S&P	N/A
Federal agency and instrumentalities	$ 1,639,780	AA+	
Municipal bonds	157,500	AA	
Municipal bonds	75,640	AA-	
Municipal bonds	84,744	AA+	
Municipal bonds	233,810	AAA	
Municipal bonds	351,437		Not rated
U.S. corporate debt	1,835,465	A	
U.S. corporate debt	2,560,351	A-	
U.S. corporate debt	744,658	A+	
U.S. corporate debt	112,519	AA	
U.S. corporate debt	624,382	AA-	
U.S. corporate debt	129,776	AAA	
U.S. corporate debt	549,756	BBB+	
Asset-backed security	4,509,024	AAA	
Asset-backed security	454,767		Not rated
Supranationals	650,259	AAA	
U.S. Treasury obligations	11,959,175	AA+	
Negotiable certificates of deposit	294,801	A	
Negotiable certificates of deposit	282,518	AA-	
Negotiable certificates of deposit	165,000		Not rated
	$ 27,415,362		

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's Investment Policy requires the financial institution to either collateralize the deposits or cover them with Federal deposit insurance. The District's cash and deposits in financial institutions, totaling $2,840,056 as of June 30, 2023, 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.

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, 2023. 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, 2023.

	Level 1	Level 2	Level 3	Total
Federal agency and instrumentalities	$ -	$ 1,639,780	$ -	$ 1,639,780
U.S corporate debt	-	6,556,907	-	6,556,907
Asset backed securities	-	4,963,791	-	4,963,791
Supranationals	-	650,259	-	650,259
Municipal bonds	-	903,131	-	903,131
U.S. Treasury obligations	-	11,959,175	-	11,959,175
Negotiable certificates of deposit	-	742,319	-	742,319
Total assets at fair value	$ -	$ 27,415,362	$ -	$ 27,415,362

NOTE 3: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Short-term receivables at June 30, 2023 consisted of the following:

	Sewer	Water	Total
Customer receivables	$ 1,818,589	$ 1,499,144	$ 3,317,733
Other receivables	87,206	70,987	158,193
Allowance for doubtful accounts	(101,811)	(77,615)	(179,426)
Accounts receivable, net of allowance	$ 1,803,984	$ 1,492,516	$ 3,296,500
Due from Federal Government	$ 1,035,541	$ 960,383	$ 1,995,924
Due from California	302,539	172,007	474,546
Due from El Dorado County	-	95,774	95,774
Due from governmental agencies	$ 1,338,080	$ 1,228,164	$ 2,566,244

Long-term receivables at June 30, 2023 consisted of the following:

	Sewer	Water	Total
Accounts receivable			
Customer receivables	$ 739,191	$ -	$ 739,191
Due from governmental agencies			
Due from California	$ 73,020	$ 73,020	$ 146,040

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, 2023 was as follows:

	July 1, 2022 Restated	Additions	Retirements	Transfers	June 30, 2023
Capital assets not being depreciated					
Land and easement	$ 25,131,228	$ -	$ -	$ -	$ 25,131,228
Water rights	1,668,308	-	-	-	1,668,308
Construction in progress	13,354,270	10,960,208	(219,022)	(3,474,636)	20,620,820
Total capital assets not being depreciated	40,153,806	10,960,208	(219,022)	(3,474,636)	47,420,356
Capital assets being depreciated					
Plant and equipment	381,881,546	5,206,288	(155,283)	3,474,636	390,407,187
Intangible right-to-use software agreements	185,463	-	-	-	185,463
Total capital assets being depreciated and amortized	382,067,009	5,206,288	(155,283)	3,474,636	390,592,650
Less accumulated depreciation and amortization					
Plant and equipment	(186,037,859)	(10,389,335)	150,872	-	(196,276,322)
Intangible right-to-use software agreements	(62,623)	(63,950)	-	-	(126,573)
Total accumulated depreciation and amortization	(186,100,482)	(10,453,285)	150,872	-	(196,402,895)
Total capital assets being depreciated, net	578,033,536	(5,246,997)	(4,411)	3,474,636	584,782,405
Capital assets, net	$ 236,120,333	$ 5,713,211	$ (223,433)	$ -	$ 241,610,111

NOTE 4: CAPITAL ASSETS (CONTINUED)

Construction in progress as of June 30, 2023 consisted of the following:

Al Tahoe Pump St Rehab	$ 184,489
Al Tahoe Well Rehab	134,605
Al Tahoe/Bayview Backup Power	164,969
Bijou #1 Waterline Replacement	144,213
Bijou PS Rehab	437,609
Blower System Upgrades	354,153
Collection System Master Plan	481,595
Hydrant Project - CITY	181,435
Keller-Heavenly Water System Improvement	4,551,686
Luther Pass PS Tanks Rehab	235,548
Master Plan-Alpine County	570,844
Meter Installation Final Phase	747,320
Paloma Well Rehab 2021	435,716
SCADA Upgrades	155,454
Secondary Clarifier #1 Rehab	813,988
Secondary Clarifier #2 Rehab	1,260,392
Sewer Field Communication Upgrades Ph2	185,587
Tahoe Keys Sewer PS Rehab	4,875,147
Tanks Backup Power	985,685
Upper Truckee Sewer PS Rehab	829,888
Valve & Hydrant Replacements	310,500
Water Field Communication Upgrades Ph2	147,496
Water System Optimization Plan	269,816
Waterline - Herbert Walkup Ph1	247,059
Waterline, Black Bart	897,720
Other projects	1,017,906
	$ 20,620,820

Depreciation and amortization expense for the year ended June 30, 2023 was charged to the different activities as follows:

Sewer	$ 5,762,985
Water	4,690,300
	$ 10,453,285

NOTE 5: LEASES RECEIVABLE

The District is reporting leases receivable of $1,772,218 (split between current amount $77,682 and noncurrent amount of $1,694,536) at June 30, 2023. For 2023, the District reported lease revenue of $20,224 and interest revenue of $786 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
AT&T	$ 615,909	$ 7,489	$ 252
Verizon	1,156,309	12,735	534
Total	$ 1,772,218	$ 20,224	$ 786

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

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

At June 30, 2023, future minimum lease payments due to the District are as follows:

Year Ending June 30	Amount
2024	$ 59,180
2025	60,956
2026	62,785
2027	64,668
2028	66,608
2029 - 2033	364,240
2034 - 2038	422,254
2039 - Thereafter	695,834
Total lease payments	1,796,525
Less interest	(24,307)
Present value of leases receivable	$ 1,772,218

NOTE 6: UNEARNED REVENUE

Unearned revenue represents revenues that had been collected or billed, but not yet earned. Unearned revenue consisted of the following at June 30, 2023:

	Sewer	Water	Total
Meters sold but not issued	$ -	$ 11,005	$ 11,005
	$ -	$ 11,005	$ 11,005

NOTE 7: LONG TERM LIABILITIES

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	July 1, 2022 Restated	Additions	Reductions	June 30, 2023	Current Portion
2012 Sewer Refunding	$ 2,452,878	$ -	$ (964,356)	$ 1,488,522	$ 986,664
2013 Sewer Refunding	3,518,182	-	(604,989)	2,913,193	619,963
SRF Luther Pass Power	4,016,594	-	(125,788)	3,890,806	127,801
SRF Diamond Valley Ranch Irrigation Imp.	6,915,741	-	(216,581)	6,699,160	220,047
SRF Aeration Basin #2 Rehabilitation	956,012	-	(29,547)	926,465	30,049
SRF Primary Clarifier #1 Rehabilitation	518,102	-	(16,014)	502,088	16,285
Chase Bank Sewer Loan	3,662,566	-	(314,007)	3,348,559	320,890
2021 Wastewater Revenue Refunding Bond	5,235,000	-	(465,000)	4,770,000	485,000
Tahoe Keys Wastewater Pump Station Rehab	-	3,444,033	-	3,444,033	-
Premium on bond	830,918	-	(86,705)	744,213	-
2013 Water Refunding	3,461,232	-	(602,287)	2,858,945	205,337
SRF Meters Phase 1	2,860,878	-	(116,771)	2,744,107	58,385
SRF Meters Phase 2	881,061	-	(50,512)	830,549	51,324
SRF Meters Phase 3 - 5	9,560,732	-	(253,979)	9,306,753	258,550
SRF Waterline Replacement	3,224,238	-	(91,383)	3,132,855	92,943
Keller Heavenly Water System Improvement Project	904,553	894,813	-	1,799,366	-
Rocky I SRF Loan	-	1,784,684	-	1,784,684	-
Subscription (SBITA) Liability	91,156	-	(77,526)	13,630	13,630
Total	$ 49,089,843	$ 6,123,530	$ (4,015,445)	$ 51,197,928	$ 3,486,868

A description of the long-term liabilities at June 30, 2023 follows:

2012 Sewer Refunding

2012 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due September 1, 2024, payable $507,630 semi-annually, including interest at 2.3%. The original amount of the debt was $10,605,000 and was used for construction of sewer infrastructure improvements and was also used to repay the 2004 Sewer Revenue Certificates of Participation, which funded sewer infrastructure improvements. For the year ended June 30, 2023, principal and interest payments accounted for 3.7% of total sewer revenues.

2013 Sewer Refunding

2013 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 2027, payable $343,919 semi-annually, including interest at 2.46%. The original amount of the debt was $8,400,000 and was used to repay the 2007 Sewer Installment Sale Agreement, which funded sewer infrastructure improvements. For the year ended June 30, 2023, principal and interest payments accounted for 2.5% 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, 2023, principal and interest payments accounted for 0.7% of total sewer revenues.

NOTE 7: LONG TERM LIABILITIES (CONTINUED)

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, 2023, principal and interest payments accounted for 1.2% of total sewer revenues.

SRF Aeration Basin #2 Rehabilitation

2018 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable $45,799 annually, including interest of 1.7%. The original amount of the debt was $1,070,077 and was used for the rehabilitation of aeration basin #2. For the year ended June 30, 2023, 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, 2023, 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, 2023, principal and interest payments accounted for 1.4% of total sewer revenues.

2021 Wastewater Revenue Refunding Bond

2021 Wastewater Revenue Refunding Bond, secured by a first pledge of net revenues of the wastewater system, due August 1, 2031, payable semi-annually, including interest at 2 - 4%. The original amount of the bond was $5,745,000 and was used for prepayment of the outstanding principal balances of three loans from the California State Water Resources Control Board and prepayment of Installment Sale Agreement with BBVA Compass Bank, all of which funded wastewater infrastructure improvements. For the year ended June 30, 2023, principal and interest payments accounted for 2.4% of total sewer revenues.

2013 Water Refunding

2013 Water Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all water revenues, due January 30, 2030, payable $237,786 semi-annually, including interest at 2.27%. The original amount of the debt was $10,000,000 and was used for construction of water infrastructure improvements and was also used to repay the 2001 Water Refunding and 1999 Installment Sale Agreement, both of which funded water infrastructure improvements. For the year ended June 30, 2023, principal and interest payments accounted for 2.5% 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, 2023, principal and interest payments accounted for 0.6% 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, 2023, principal and interest payments accounted for 0.3% of total water revenues.

NOTE 7: LONG TERM LIABILITIES (CONTINUED)

SRF Meters Phase 3 -5

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for phases 3 through 5 of the water meter installation project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of $14,010,534. Annual principal and interest payments will occur each April 22, commencing April 15, 2022. This loan accrues interest at a rate of 1.8% annually. As of June 30, 2023 the District incurred a total of $13,829,053 in Phase 3 - 5 costs, of which $4,000,000 has been forgiven. For the year ended June 30, 2023, principle and interest payments accounted for 2.3% of total water revenues.

SRF Waterline Replacement

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for the waterline replacement project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of $3,627,005. Semi-annual principal payments will occur each January 1 and July 1, commencing January 1, 2020. The loan accrues interest at a rate of 1.7% annually. Final payment is due July 1, 2049. For the year ended June 30, 2023, principal and interest payments accounted for 0.8% of total water revenues.

Keller Heavenly Water System Improvement Project

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

Tahoe Keys Wastewater Pump Station Rehabilitation Project

During the fiscal year ended June 30, 2022, the District entered into a loan agreement with the State Water Resources Control Board's Division of Financial Assistance. The loan is dated February 14, 2022, and is in the principal amount of up to $6,189,331. The District is drawing down on the loan as the project progresses. There has been no repayment schedule set as of June 30, 2023. Interest is to accrue at a rate of 0.9% per anum and will begin with each disbursement. Final payment date is set at July 31, 2059.

2021 Rocky I SRF Loan

During the fiscal year ended June 30, 2022, the District entered into a loan agreement with the State Water Resources Control Board's Division of Financial Assistance. The loan is dated February 23, 2022, and is in the principal amount of up to $9,000,000. The District is drawing down on the loan as the project progresses. There has been no repayment schedule set as of June 30, 2023. Interest is to accrue at a rate of 1.2% per anum and will begin with each disbursement. Final payment date is set at December 31, 2059.

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

	Principal	Interest	Total
Years ending June 30,			
2024	$ 3,473,238	$ 774,794	$ 4,248,032
2025	3,390,108	725,725	4,115,833
2026	3,055,817	685,265	3,741,082
2027	3,124,782	616,898	3,741,680
2028	2,855,865	546,624	3,402,489
2029 - 2033	10,777,301	1,924,531	12,701,832
2034 - 2038	6,428,908	1,258,472	7,687,380
2039 - Thereafter	15,549,382	1,358,757	16,908,139
	$ 48,655,401	$ 7,891,066	$ 56,546,467

NOTE 7: LONG TERM LIABILITIES (CONTINUED)

Interest charges on debt, including amounts capitalized totaling $0, for the year ended June 30, 2023 was $894,405.

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, 2023.

Subscriptions (SBITAs)

The District has entered into subscription-based information technology arrangements (SBITAs) involving various software subscriptions. The total costs of the District's subscription assets are recorded as $122,840, less accumulated amortization of $63,950.

The future subscription payments under SBITA agreements are as follows:

	Principal	Interest	Total
Years ending June 30,			
2024	$ 13,630	$ 125	$ 13,755
Total	13,630	125	13,755

NOTE 8: COMPENSATED ABSENCES

Compensated absences balance and activity for the year ended June 30, 2023 were as follows:

	July 1, 2022	Additions	Reductions	June 30, 2023	Current Portion
Compensated absences	$ 3,362,403	$ 2,419,980	$ (2,984,224)	$ 2,798,159	$ 1,924,306

NOTE 9: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

NOTE 9: 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, 2023, are summarized as follows:

	Miscellaneous Plan	
	Hired prior to January 1, 2013	Hired on or after January 1, 2013
Benefit Formula	2.7% at 55	2.0% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rate	8.00%	6.75%
Required Employer Contribution Rate	13.35%	7.47%

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, 2023 were $2,299,876.

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

As of June 30, 2023, the District reported a net pension liability of $14,442,141 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, 2022, 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, 2021 rolled forward to June 30, 2022 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, 2023 and 2022 was follows:

Proportion - June 30, 2022	0.30705 %
Proportion - June 30, 2023	0.30864 %
Change - increase	0.00159 %

NOTE 9: PENSION PLAN (CONTINUED)

For the year ended June 30, 2023, the District recognized pension expense of $2,460,366. At June 30, 2023, 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	$ 2,299,876	$ -
Change in employer's proportion	524,409	-
Difference between actual and expected experience	290,026	194,248
Changes in assumptions	1,479,899	-
Difference between employer contributions and the employer's proportionate share of the risk pool's contributions	28,078	275,866
Net difference between projected and actual earning on plan investments	2,645,416	-
Total	$ 7,267,704	$ 470,114

$2,299,876 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, 2024. 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,	
2024	$ 1,299,060
2025	1,043,994
2026	536,634
2027	1,618,026

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% 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 2.30% until purchasing power protection allowance floor on purchasing power applies

(1): The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report that can be found on the CalPERS website.

NOTE 9: PENSION PLAN (CONTINUED)

Changes in Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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) (2)
Global Equity - Cap weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021-2022 Asset Liability Management study.

NOTE 9: PENSION PLAN (CONTINUED)

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

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

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
Net pension liability	$23,175,567	$14,442,141	$7,256,697

Pension Plan Fiduciary Net Position

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

NOTE 10: DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (the "457 Plan") created in accordance with Internal Revenue Code Section 457. The 457 Plan permits the employees to defer a portion of their salary until future years. A third party administrator maintains deferrals in a trust capacity. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Participants may elect to contribute, through salary reductions, up to the IRC (g) limit ($22,500 in 2023).

The 457 Plan assets totaled $19,379,725 at June 30, 2023. Plan assets consist of investments in mutual funds, which are held in trust and are considered protected from the general creditors of the District.

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. To protect the District from these risks, it is a member of a risk management program as discussed in Note 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.

A. Contractual Obligations

At June 30, 2023, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately $19.1 million.

B. Contingencies

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

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

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, 2022 (the most recent information available):

Total assets	$ 246,615,214
Total deferred outflows of resources	6,108,562
Total liabilities	137,126,606
Total deferred inflows of resources	2,813,249
Net assets	112,783,921
Total income	209,690,228
Total expense	246,716,839

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.

The following is a summary of the most current audited financial information for the CAMP portfolio as of December 31, 2022 (the most recent information available):

Total assets	$ 11,952,592,289
Total liabilities	1,277,011
Net assets	11,951,315,278
Total income	5,479,669,643
Total expenses	8,030,527
Net increase in net assets resulting from operations	5,471,639,116

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 (LOSS)

Investment earnings (loss) consisted of the following for the year ended June 30, 2023:

Interest income	$	791,979
Net realized and unrealized losses		(331,141)
	$	460,838

NOTE 14: OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the year ended June 30, 2023:

Professional services	$	2,120,822
Operating permits		535,977
Chemical supplies		540,776
Office expense		339,581
Insurance and unreimbursed claims		835,741
Travel, meetings, and education		154,728
Research and monitoring		77,011
Equipment and building rent expense		231,375
Fuel expenses		303,399
Taxes, street lighting, and mitigation		124,883
Community incentive		99,864
Dues and certification		139,403
Miscellaneous expense		794,483
	$	6,298,043

NOTE 15: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

The District has subscription-based information technology arragements which began in November 2020, March 2021, and October 2021. The implementation of GASB No. 96 requires retroactive application which resulted in the following restatement to June 30, 2022 balances.

		Business-Type Activities
Increase SBITA right-to-use asset	$	175,918
Increase accumulated amortization		(27,638)
Increase SBITA liability		(115,512)
Increase Net Investment in Capital Assets	$	32,768

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2023 through November 28, 2023, 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, 2023
LAST 10 YEARS *

	Measurement Period				
	2022	2021	2020	2019	2018
Proportion of the net pension liability	0.30864 %	0.30705 %	0.28265 %	0.27119 %	0.26155 %
Proportionate share of the net pension liability	$ 14,442,141	$ 5,830,236	$ 11,922,413	$ 10,859,922	$ 9,857,219
Covered payroll	$ 10,974,014	$ 10,844,940	$ 10,293,860	$ 9,849,757	$ 9,650,512
Proportionate share of the net pension liability as a percentage of covered payroll	131.60 %	53.76 %	115.82 %	110.26 %	102.14 %
Plan fiduciary net position as a percentage of the total pension liability	76.68 %	88.29 %	75.10 %	75.26 %	75.26 %

Notes to Schedule:

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

Changes in assumptions: In November 2021, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions. For PERF C, these changes were implemented in the June 30, 2021, actuarial valuations for funding purposes. Included in these changes were assumptions for inflation, the discount rate, and administrative expenses, as well as demographic assumptions including changes to mortality rates. The inflation assumption was reduced from 2.50 percent to 2.3 percent, the administrative expense assumption was reduced from 0.15 percent to 0.10 percent, and the discount rate was reduced from 7.00 percent to 6.80 percent. As a result, for financial reporting purposes, the discount rate for the PERF C was lowered from 7.15 percent to 6.90 percent in Fiscal Year 2021-22. In 2021, 2020 and 2019, there were no changes. In 2018, the demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

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

SOUTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
AS OF JUNE 30, 2023
LAST 10 YEARS *

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

SOUTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2023
LAST 10 YEARS *

	Fiscal Year-End				
	2023	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	$ 2,299,876	$ 2,202,759	$ 2,070,278	$ 1,813,910	$ 1,601,072
Contributions in relation to the actuarially determined contributions	2,299,876	2,202,759	2,070,278	1,813,910	1,601,072
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 10,972,141	$ 10,974,014	$ 10,844,940	$ 10,293,860	$ 9,849,757
Contributions as a percentage of covered payroll	20.96 %	20.07 %	19.09 %	17.62 %	16.25 %

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

SOUTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)
AS OF JUNE 30, 2023
LAST 10 YEARS *

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

MUN CPAs, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • NEVADA • KAUAI, HAWAII

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of South Tahoe Public Utility District (the "District") as of and for the year ended June 30, 2023, 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 28, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

MUN CPAs

Sacramento, California
November 28, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Tahoe Public Utility District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

MUN CPAs

Sacramento, California
November 28, 2023

SOUTH TAHOE PUBLIC UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Program Title	Federal AL Number	Contract/ Pass-through Number	Passed-Through to Subrecipients	Expenditures
U.S. Environmental Protection Agency				
Direct Program:				
Drinking Water State Revolving Fund	66.468		-	$ 1,512,582
Total U.S. Environmental Protection Agency			-	1,512,582
U.S. Department of Homeland Security				
Pass-Through State of California Governor's Office of Emergency Services:				
Severe Winter Storms - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4683-DR-CA	-	312,872
Severe Winter Storms - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4699-DR-CA	-	331,979
Total 97.036			-	644,851
Pass-Through State of California Governor's Office of Emergency Services:				
Hazard Mitigation Grant:				
Blower System Emergency Generator Project	97.039	FEMA-4344-DR-CA	-	452,125
Backup Power Supply Project	97.039	FEMA-4353-DR-CA	-	527,125
Paloma Well/Keller Booster Emergency Generators	97.039	FEMA-5380-FM-CA	-	32,419
Total 97.039			-	1,011,669
Total U.S. Department of Homeland Security			-	1,656,520
U.S. Department of the Treasury				
Pass-Through City of South Lake Tahoe:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	C-074-2022	-	210,153
Total U.S. Department of the Treasury			-	210,153
U.S. Department of Agriculture				
Pass-Through State Water Resources Control Board:				
State and Private Forestry Cooperative Fire Assistance:				
NTPUD - Carnelian Bay Fire Protection Water Infrastructure	10.698	22-DG-11052012-124	536,302	-
Bowers/Bijou Area Fire Protection Water Infrastructure	10.698	22-DG-11052012-124	-	570,972
IVGID - Crystal Peak Watermain Replacement	10.698	22-DG-11052012-124	80,517	-
Total U.S. Department of Agriculture			616,819	570,972
Total Expenditures of Federal Awards			$ 616,819	$ 3,950,227

SOUTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1: SCOPE OF AUDIT PURSUANT TO UNIFORM GUIDANCE

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance provided to South Tahoe Public Utility District under programs of the Federal Government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 3: REPORTING ENTITY

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

NOTE 4: BASIS OF PRESENTATION

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

NOTE 5: CLAIMS

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

NOTE 6: INDIRECT COSTS

The District elected not to use the 10% de minimus indirect cost rate, and did not charge indirect costs to federal grants during the year ended June 30, 2023.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Major programs are as follows:

AL Number	Name of Federal Program
10.698	State & Private Forestry Cooperative Fire Assistance
97.039	Hazard Mitigation Grant
66.468	Drinking Water State Revolving Fund

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

Finding 2022-001: Water and Wastewater Arrearages Payment Program

Condition

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

Recommendation

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

Status:

Corrective action has been fully implemented.