

NORTH TAHOE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis
Financial Statements
Supplementary Information
and
Independent Auditor's Report

For the Fiscal Years Ended June 30, 2019 and 2018



North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2019 and 2018

BOARD OF DIRECTORS

Phil Thompson, President

Sarah Coolidge, Vice President

Sue Daniels, Secretary

Tim Ferrell, Director

Alex Mourelatos, Director

MANAGEMENT

Bradley A. Johnson, P.E., General Manager/Chief Executive Officer

Vanetta N. Van Cleave, Chief Financial Officer

North Tahoe Public Utility District

TABLE OF CONTENTS

June 30, 2019 and 2018

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	4 - 5
MANAGEMENT’S DISCUSSION AND ANALYSIS	6 - 13
GENERAL PURPOSE FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION	14 - 15
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	16
STATEMENTS OF CASH FLOWS	17 - 19
NOTES TO FINANCIAL STATEMENTS	20 - 51
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	53
SCHEDULE OF THE DISTRICT’S PENSION PLAN CONTRIBUTIONS	54
SUPPLEMENTARY INFORMATION	
SCHEDULE 1 - COMPARISON OF BUDGET TO ACTUAL	56



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Tahoe Public Utility District
Tahoe Vista, California

We have audited the accompanying financial statements of the business-type activities of North Tahoe Public Utility District as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of North Tahoe Public Utility District as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and the required supplementary information related to the pension on pages 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Tahoe Public Utility District's basic financial statements. The supplementary information contained in Schedule 1 on page 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

Sacramento, CA

April 21, 2020

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

As management of the North Tahoe Public Utility District (NTPUD), we offer readers of NTPUD's financial statements this narrative overview and analysis of NTPUD's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT:

The District's Current Assets decreased by \$579,592 from \$9,795,139 to \$9,215,547. Restricted Assets increased by \$221,614 from \$1,498,788 to \$1,720,402. Non-Current Investments increased by \$667,875 from \$978,670 in 2018 to \$1,646,545 in 2019. Capital Assets net of Accumulated Depreciation grew from \$55,289,734 to \$55,330,750, an increase of \$41,016. As a result of the GASB 68 adjustments, Deferred Pension Outflows increased \$466,801 from \$986,637 in 2018 to \$1,453,438 in 2019. The District's Total Assets and Deferred Outflows increased by \$817,714 to \$69,366,682.

The District's Current Liabilities (Unrestricted) increased by \$441,294 to \$1,859,435 in 2019. Current Liabilities (Payable from Restricted Assets) decreased by \$552,487 from \$614,990 to \$62,503. Noncurrent Liabilities decreased by \$383,967 from \$3,217,161 to \$2,833,194. Deferred Inflows of Resources increased \$0 to \$66,521 in 2019.

The Net Investment in Capital Assets increased by \$370,353 as additions of new Capital Assets exceeded depreciation and the related matured portion of capital debt was repaid. The amount Restricted for Capital Outlay increased by \$287,128. Unrestricted Net Position (Undesignated) increased by \$588,872 from \$9,712,605 to \$10,301,477. Total Net Position increased by \$1,246,353 from \$63,298,676 to \$64,545,029.

FINANCIAL HIGHLIGHTS - SEWER FUND:

Current Assets (not restricted) increased by \$1,646,789 from \$5,081,549 to \$6,728,338. Restricted Assets decreased by \$58,439 from \$665,414 to \$606,975. Non-Current Investments increased by \$667,875 from \$978,670 in 2018 to \$1,646,545 in 2019. Net Capital Assets decreased by \$901,183 from \$22,953,657 to \$22,052,474 as \$3,270,750 of additions to Capital Assets (including \$3,060,483 transfer from WIP) resulting in net additions of \$437,591 is exceeded by the increase in Accumulated Depreciation of \$1,338,774.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL HIGHLIGHTS - SEWER FUND (Continued):

Current Liabilities (Payable from Current Assets) increased by \$161,203 from \$842,768 to \$1,003,971. Current Liabilities (Payable from Restricted Assets) decreased by \$168,513 from \$168,513 in 2018 to \$0 in 2019. As a result of the GASB 68 adjustments, Long-Term Liabilities includes a net pension liability of \$292,396 in 2019 and \$318,122 in 2018. In addition, Deferred Pension Inflows increased by \$41,242 from \$0 in 2018 to \$41,242 for 2019. The amount of Unrestricted Net Position increased by \$2,427,362 from \$5,511,043 in 2018 to \$7,938,405 in 2019. Total Net Position increased by \$1,636,253, from \$28,961,601 to \$30,597,854.

Operating Revenues decreased by \$15,263 from \$1,527,254 to \$1,511,991. Total Operating Expenses were \$657,336 less than 2018 (partially due to a change in allocation methodology between fund areas as total operating expenses were consistent year over year). Property Tax revenue of \$5,380,038 is \$321,415 more than the prior year. In 2019, investment income increased by \$93,015.

FINANCIAL HIGHLIGHTS – WATER FUND:

Current Assets decreased by \$1,987,641 from \$3,446,192 in 2018 to \$1,458,551 in 2019. Restricted Assets increased by \$103,452 from \$411,962 to \$515,414. Capital Assets net of Accumulated Depreciation increased by \$831,195 from \$19,640,851 to \$20,472,046. Deferred Pension Outflows increased \$102,696 from \$217,060 to \$319,756.

Current Liabilities (Payable from Current Assets) increased by \$33,771 from \$513,875 to \$547,646. Current Liabilities (Payable from Restricted Assets) decreased by \$383,521 from \$411,962 to \$28,441. The Long-Term debt portion of Noncurrent Liabilities decreased by \$342,474 from \$2,704,060 to \$2,361,586, the result of the annual principal payments on the debt. The Net Pension Liability portion of Noncurrent Liabilities decreased by \$9,128 from \$112,883 to \$103,755. In addition, Deferred Pension Inflows increased from \$0 to \$14,635. The amount of Net Position that is Unrestricted decreased by \$1,424,113 from \$2,919,895 to \$1,495,782. Total Net Position decreased by \$263,581 bringing the new amount to \$19,709,704.

Operating Revenues were \$14,864 lower than 2018. Total Operating Expenses increased by \$316,815 from 2018 (partially due to a change in allocation methodology between fund areas as total operating expenses were consistent year over year). Grant revenue was \$31,565 higher than the prior year with \$52,406 in 2019 compared to the \$20,841 earned in 2018. For 2019, Interest expense of \$97,594 was \$36,411 lower than the prior year as the principal on District debt declined.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL HIGHLIGHTS - RECREATION FUND:

Current Assets decreased by \$238,740 from \$1,267,398 to \$1,028,658. Restricted Assets increased by \$176,601 from \$421,412 to \$598,013. Capital Assets net of Accumulated Depreciation increased by \$111,004 to \$12,806,230 as the current year capital investment exceeded the increase in Accumulated Depreciation. Deferred Pension Outflows of Resources increased by \$74,688 from \$157,863 to \$232,551 in 2019.

Current Liabilities (Payable from Current Assets) increased by \$246,320 from \$61,498 to \$307,818 in 2019. Current Liabilities (Payable from Restricted Assets) decreased by \$453 from \$34,515 to \$34,062 in 2019. The Net Pension Liability classified as Noncurrent Liabilities decreased by \$6,639 from \$82,096 to \$75,457. Deferred Inflows of Resources from Pension increased by \$10,644 from \$0 to \$10,644. The Total Net Position decreased by \$126,319 from \$14,363,790 to \$14,237,471. The amount of Net Position that is Unrestricted decreased by \$414,377 to close at \$867,290.

Recreation Events and Program Revenues of \$849,141 were \$268,505 lower than the \$1,117,646 earned in 2018. Total Operating Expenses increased by \$314,903 from \$1,900,682 in 2018 to \$2,215,585 in 2019 (partially due to a change in allocation methodology between fund areas as total operating expenses were consistent year over year). The Recreation assessment, called Community Facilities District 94-1 (CFD 94-1), brought in \$650,837, an increase of \$42,736 from the 2018 amount of \$608,101. Grant revenue was \$591,872 in 2019 and \$0 in 2018.

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS:

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

REQUIRED FINANCIAL STATEMENTS (Continued):

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT:

The most common financial question posed to the District is "How did we do financially during 2018/2019?" The Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's Net Position – the difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure financial health or financial position. Over time, increases or decreases in the District's Net Position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

NET POSITION:

To begin our analysis, a summary of the District's Net Position is presented in Table A-1.

Table A-1
Condensed Statement of Net Position

	Fiscal Year 6/30/2019	Fiscal Year 6/30/2018	Change in Dollars	Percent Change
Current Assets	\$ 9,215,547	\$ 9,795,139	(\$ 579,592)	-6%
Restricted Assets	1,720,402	1,498,788	221,614	15%
Investments-Non-Current Portion	1,646,545	978,670	667,875	68%
Net Capital Assets	55,330,750	55,289,734	41,016	0%
Deferred Pension Outflows (Note 6)	<u>1,453,438</u>	<u>986,637</u>	<u>466,801</u>	47%
Total Assets and Deferred Outflows of Resources	<u>\$ 69,366,682</u>	<u>\$ 68,548,968</u>	<u>\$ 817,714</u>	1%
Current Liabilities Unrestricted	\$ 1,859,435	\$ 1,418,141	\$ 441,294	31%
Current Liabilities Restricted	62,503	614,990	(552,487)	-90%
Long Term Liabilities	2,833,194	3,217,161	(383,967)	-12%
Deferred Pension Inflows (Note 6)	<u>66,521</u>	<u>66,521</u>	<u>66,521</u>	100%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,821,653</u>	<u>\$ 5,250,292</u>	<u>(\$ 428,639)</u>	-8%
Net Investment in Capital Assets	\$ 52,626,690	\$ 52,256,337	\$ 370,353	1%
Restricted for Capital Outlay	1,170,926	883,798	287,128	32%
Restricted for Debt Service	445,936	445,936		0%
Unrestricted (Designated for Board Reserves)	3,739,589	3,874,826	(135,237)	-3%
Unrestricted (Undesignated)	<u>6,561,888</u>	<u>5,837,779</u>	<u>724,109</u>	12%
Total Net Position	<u>\$ 64,545,029</u>	<u>\$ 63,298,676</u>	<u>\$ 1,246,353</u>	2%

As can be seen from the table above, Net Position grew by \$1,246,353 from \$63,298,676 to \$64,545,029. The makeup of Net Position changed as amounts invested in Capital Assets increased by \$370,353 or 1%, while amounts Restricted for Capital Outlay increased by \$287,128 or 32%. Amounts Restricted for Debt Service was consistent at \$445,936. Unrestricted (Designated for Board Reserves) decreased \$135,237 to \$3,739,589 in 2019. Unrestricted (Undesignated) balance increased by \$724,109 from \$5,837,779 in 2018 to \$6,561,888 in 2019.

North Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

REVENUES, EXPENSES AND CHANGES IN NET POSITION:

Table A-2
Condensed Statement of Revenues, Expenses and Changes in Net Position

	FYE 6/30/2019	FYE 6/30/2018	Change in Dollars	Percent Change
Operating Revenues	\$ 6,247,085	\$ 6,545,717	(\$ 298,632)	- 5%
Operating Expenses	<u>11,911,238</u>	<u>11,936,856</u>	(<u>25,618</u>)	0%
Net Operating Loss	(\$ 5,664,153)	(\$ 5,391,139)	(\$ 273,014)	5%
Property Tax Revenues	\$ 6,030,875	\$ 5,666,724	\$ 364,151	6%
Other Non-Operating Revenues and Expenses	<u>736,115</u>	<u>158,864</u>	<u>577,251</u>	363%
Non-Operating Revenues and Expenses	<u>\$ 6,766,990</u>	<u>\$ 5,825,588</u>	<u>\$ 941,402</u>	16%
Income Before Capital Contributions	\$ 1,102,837	\$ 434,449	\$ 668,388	154%
Capital Contributions	<u>143,516</u>	<u>243,727</u>	(<u>100,211</u>)	- 41%
Change in Net Position	<u>\$ 1,246,353</u>	<u>\$ 678,176</u>	<u>\$ 568,177</u>	84%
Net Position, Beginning of Year	\$ 63,298,676	\$ 62,620,500	\$ 678,176	1%
Total Net Position, Ending of Year	<u>\$ 64,545,029</u>	<u>\$ 63,298,676</u>	<u>\$ 1,246,353</u>	2%

While the Statement of Net Position shows the change in financial position of net assets, the Statements of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, Revenues, including Operating, Property Tax and Other, exceeded Expenses in both years, increasing Net Position. The increase in Net Position of \$1,246,353 in FY 2019 was \$568,177 more than the \$678,176 increase in FY 2018. This was due to a \$273,014 increase in the Net Operating Loss combined with a \$941,402 increase in net Non-Operating Revenues, offset by a \$100,211 decrease in Capital Contributions.

North Tahoe Public Utility District

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2019

BUDGETARY HIGHLIGHTS:

The District adopts an annual Operating Budget. The Operating Budget includes proposed expenses and the means of financing them. The District’s operating budget includes the original budget and all budget adjustments approved during the year.

A 2019 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Operating Revenues	\$ 6,186,840	\$ 6,247,085	\$ 60,245
Operating Expenses	<u>12,740,199</u>	<u>11,911,238</u>	<u>828,961</u>
Net Operating Loss	(\$ 6,553,359)	(\$ 5,664,153)	\$ 889,206
Property Tax Revenues	\$ 5,860,000	\$ 6,030,875	\$ 170,875
Other Non-Operating Revenues and Expenses	<u>529,415</u>	<u>736,115</u>	<u>206,700</u>
Non-Operating Revenues and Expenses	<u>\$ 6,389,415</u>	<u>\$ 6,766,990</u>	<u>(\$ 377,575)</u>
(Loss)/Income Before Capital Contributions	(\$ 163,944)	\$ 1,102,837	\$ 1,266,781
Capital Contributions	<u>98,000</u>	<u>143,516</u>	<u>45,516</u>
Change in Net Position	<u>(\$ 65,944)</u>	<u>\$ 1,246,353</u>	<u>\$ 1,312,297</u>

Operating Revenues of \$6,247,085 were \$60,245 over the Budget of \$6,186,840. Operating Expenses were \$828,961 under the \$12,740,119 amount budgeted. Property Taxes, including CFD 94-1, revenues surpassed the budgeted amount by \$170,875. Other Non-Operating Revenues and Expenses when netted were \$206,700 improved over the \$529,415 budgeted amount. Capital Contributions of \$143,516 were \$45,516 more than budgeted. The total Change in Net Position of \$1,246,353 increase exceeded the budgeted amount of \$65,944 decrease by \$1,312,297.

North Tahoe Public Utility District

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2019

CAPITAL ASSETS:

Table A-4
Condensed Statement of Fixed Assets

	FYE 6/30/2019	FYE 6/30/2018	Change in Dollars	Percent Change
Fixed Assets	\$ 109,034,782	\$ 105,636,747	\$ 3,398,035	3%
Construction in Process	<u>2,857,179</u>	<u>3,426,503</u>	(<u>569,324</u>)	-17%
	<u>\$ 111,891,961</u>	<u>\$ 109,063,250</u>	<u>\$ 2,828,711</u>	3%
Accumulated Depreciation	(<u>56,561,211</u>)	(<u>53,773,516</u>)	(<u>2,787,695</u>)	5%
Net Capital Assets	<u>\$ 55,330,750</u>	<u>\$ 55,289,734</u>	<u>\$ 41,016</u>	0%

At the end of fiscal year 2019, the District had \$109,034,782 invested in capital assets as shown in Table A-4. Fixed Assets grew by \$3,398,035 or 3%. Construction in Process decreased by \$569,324. Accumulated depreciation increased \$2,787,695 in 2019, compared to \$2,758,076 in 2018.

On September 1, 2010, the District entered into an installment sale agreement (the “Agreement”) for \$4.5 million to finance the construction of certain capital facilities related to the District’s water acquisition, storage and distribution system consisting primarily of a water storage tank and appurtenances. The Agreement’s interest rate is 3.95% and is payable semi-annually. Principal repayment began in August 2013 and concludes on February 1, 2026.

DISTRICT CONTACT INFORMATION:

This financial report is designed to provide our customers and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Vanetta N. Van Cleave, Chief Financial Officer, North Tahoe Public Utility District, P.O. Box 139 Tahoe Vista, CA 96148-0139 or by phone at (530) 546-4212 or by email at vvanceleave@ntpud.org.

North Tahoe Public Utility District
STATEMENTS OF NET POSITION

June 30, 2019 and 2018

Assets:	Sewer	Water	Recreation	Total 2019	Sewer	Water	Recreation	Total 2018
Current Assets:								
Cash and Cash Equivalents	\$ 4,833,053	\$ 1,392,433	\$ 864,199	\$ 7,089,685	\$ 2,435,170	\$ 3,367,490	\$ 1,155,271	\$ 6,957,931
Investments	949,189			949,189	1,678,611			1,678,611
Accounts Receivable	572,498	66,118	163,336	801,952	539,150	78,702	111,178	729,030
Inventory	292,304		1,123	293,427	304,972		949	305,921
Deposits and Prepaid Expenses	81,294			81,294	123,646			123,646
Total Current Assets	\$ 6,728,338	\$ 1,458,551	\$ 1,028,658	\$ 9,215,547	\$ 5,081,549	\$ 3,446,192	\$ 1,267,398	\$ 9,795,139
Restricted Assets:								
Cash and Cash Equivalents	\$ 606,903	\$ 492,350	\$ 359,414	\$ 1,458,667	\$ 639,271	\$ 397,077	\$ 380,423	\$ 1,416,771
Accounts Receivable	72	23,064	226,057	249,193	26,143	14,885	28,447	69,475
Deposits and Prepaid Expenses			12,542	12,542			12,542	12,542
Total Restricted Assets	\$ 606,975	\$ 515,414	\$ 598,013	\$ 1,720,402	\$ 665,414	\$ 411,962	\$ 421,412	\$ 1,498,788
Non-Current Assets:								
Investments	\$ 1,646,545			\$ 1,646,545	\$ 978,670			\$ 978,670
Capital Assets, Net of Accumulated Depreciation	22,052,474	20,472,046	12,806,230	55,330,750	22,953,657	19,640,851	12,695,226	55,289,734
Total Non-Current Assets	\$ 23,699,019	\$ 20,472,046	\$ 12,806,230	\$ 56,977,295	\$ 23,932,327	\$ 19,640,851	\$ 12,695,226	\$ 56,268,404
Total Assets	\$ 31,034,332	\$ 22,446,011	\$ 14,432,901	\$ 67,913,244	\$ 29,679,290	\$ 23,499,005	\$ 14,384,036	\$ 67,562,331
Deferred Outflows of Resources:								
Deferred Pension Outflows (Note 6)	\$ 901,131	\$ 319,756	\$ 232,551	\$ 1,453,438	\$ 611,714	\$ 217,060	\$ 157,863	\$ 986,637
Total Deferred Outflows of Resources	\$ 901,131	\$ 319,756	\$ 232,551	\$ 1,453,438	\$ 611,714	\$ 217,060	\$ 157,863	\$ 986,637

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

North Tahoe Public Utility District
STATEMENTS OF NET POSITION

June 30, 2019 and 2018

<u>Liabilities:</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2019</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total 2018</u>
Current Liabilities (Payable from Current Assets):								
Accounts Payable	\$ 256,418	\$ 92,093	\$ 227,274	\$ 575,785	\$ 161,923	\$ 61,559	\$ 12,026	\$ 235,508
Compensated Absences Payable	305,087	72,174	32,408	409,669	244,052	63,069	22,782	329,903
Accrued Liabilities	442,466	40,905	48,136	531,507	436,793	59,910	26,690	523,393
Current Portion of Long-Term Debt		342,474		342,474		329,337		329,337
Total Current Liabilities (Payable from Current Assets)	<u>\$ 1,003,971</u>	<u>\$ 547,646</u>	<u>\$ 307,818</u>	<u>\$ 1,859,435</u>	<u>\$ 842,768</u>	<u>\$ 513,875</u>	<u>\$ 61,498</u>	<u>\$ 1,418,141</u>
Current Liabilities (Payable from Restricted Assets):								
Accounts Payable	\$ 0	\$ 28,441	\$ 34,062	\$ 62,503	\$ 168,513	\$ 411,962	\$ 34,515	\$ 614,990
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 0</u>	<u>\$ 28,441</u>	<u>\$ 34,062</u>	<u>\$ 62,503</u>	<u>\$ 168,513</u>	<u>\$ 411,962</u>	<u>\$ 34,515</u>	<u>\$ 614,990</u>
Total Current Liabilities	<u>\$ 1,003,971</u>	<u>\$ 576,087</u>	<u>\$ 341,880</u>	<u>\$ 1,921,938</u>	<u>\$ 1,011,281</u>	<u>\$ 925,837</u>	<u>\$ 96,013</u>	<u>\$ 2,033,131</u>
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	\$ 292,396	\$ 2,361,586	\$ 75,457	\$ 2,361,586	\$ 318,122	\$ 2,704,060	\$ 82,096	\$ 2,704,060
Net Pension Liability (Note 6)	<u>292,396</u>	<u>103,755</u>	<u>75,457</u>	<u>471,608</u>	<u>318,122</u>	<u>112,883</u>	<u>82,096</u>	<u>513,101</u>
Total Long-Term Liabilities	<u>\$ 292,396</u>	<u>\$ 2,465,341</u>	<u>\$ 75,457</u>	<u>\$ 2,833,194</u>	<u>\$ 318,122</u>	<u>\$ 2,816,943</u>	<u>\$ 82,096</u>	<u>\$ 3,217,161</u>
Total Liabilities	<u>\$ 1,296,367</u>	<u>\$ 3,041,428</u>	<u>\$ 417,337</u>	<u>\$ 4,755,132</u>	<u>\$ 1,329,403</u>	<u>\$ 3,742,780</u>	<u>\$ 178,109</u>	<u>\$ 5,250,292</u>
Deferred Inflows of Resources:								
Deferred Pension Inflows (Note 6)	\$ 41,242	\$ 14,635	\$ 10,644	\$ 66,521	\$ 0	\$ 0	\$ 0	\$ 0
Total Deferred Inflows of Resources	<u>\$ 41,242</u>	<u>\$ 14,635</u>	<u>\$ 10,644</u>	<u>\$ 66,521</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Position:								
Net Investment in Capital Assets	\$ 22,052,474	\$ 17,767,986	\$ 12,806,230	\$ 52,626,690	\$ 22,953,657	\$ 16,607,454	\$ 12,695,226	\$ 52,256,337
Restricted for:								
Capital Outlay	606,975		563,951	1,170,926	496,901		386,897	883,798
Debt Service		445,936		445,936		445,936		445,936
Unrestricted	<u>7,938,405</u>	<u>1,495,782</u>	<u>867,290</u>	<u>10,301,477</u>	<u>5,511,043</u>	<u>2,919,895</u>	<u>1,281,667</u>	<u>9,712,605</u>
Total Net Position	<u>\$ 30,597,854</u>	<u>\$ 19,709,704</u>	<u>\$ 14,237,471</u>	<u>\$ 64,545,029</u>	<u>\$ 28,961,601</u>	<u>\$ 19,973,285</u>	<u>\$ 14,363,790</u>	<u>\$ 63,298,676</u>

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

North Tahoe Public Utility District

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2019 and 2018

	Sewer	Water	Recreation	Total 2019	Sewer	Water	Recreation	Total 2018
Operating Revenues:								
Service Charges	\$ 1,511,991	\$ 3,885,953		\$ 5,397,944	\$ 1,527,254	\$ 3,900,817	\$	\$ 5,428,071
Recreation Events and Programs			849,141	849,141			1,117,646	1,117,646
Total Operating Revenues	\$ 1,511,991	\$ 3,885,953	\$ 849,141	\$ 6,247,085	\$ 1,527,254	\$ 3,900,817	\$ 1,117,646	\$ 6,545,717
Operating Expenses:								
Direct Operating Expenses	\$ 2,582,509	\$ 1,911,746	\$ 1,117,811	\$ 5,612,066	\$ 2,864,961	\$ 2,070,124	\$ 1,255,790	\$ 6,190,875
Administration and General	1,548,459	1,351,862	611,157	3,511,478	2,041,945	852,924	93,036	2,987,905
Depreciation	1,338,774	962,303	486,617	2,787,694	1,220,172	986,048	551,856	2,758,076
Total Operating Expenses	\$ 5,469,742	\$ 4,225,911	\$ 2,215,585	\$ 11,911,238	\$ 6,127,078	\$ 3,909,096	\$ 1,900,682	\$ 11,936,856
Operating Loss	(\$ 3,957,751)	(\$ 339,958)	(\$ 1,366,444)	(\$ 5,664,153)	(\$ 4,599,824)	(\$ 8,279)	(\$ 783,036)	(\$ 5,391,139)
Non-Operating Revenues (Expenses):								
Property Taxes/CFD 94-1	\$ 5,380,038		\$ 650,837	\$ 6,030,875	\$ 5,058,623	\$	\$ 608,101	\$ 5,666,724
Investment Income	203,436		1,242	204,678	110,421		2,116	112,537
Grants	(12,126)	52,406	591,872	632,152	152,655	20,841		173,496
Miscellaneous Revenues	49,908	27,179	2,535	79,622	72,904	2,185	4,434	79,523
Interest Expense		(97,594)		(97,594)		(134,005)		(134,005)
Fiscal Agent Fees	(76,382)		(6,361)	(82,743)	(66,389)		(6,298)	(72,687)
Total Non-Operating Revenues (Expenses)	\$ 5,544,874	(\$ 18,009)	\$ 1,240,125	\$ 6,766,990	\$ 5,328,214	(\$ 110,979)	\$ 608,353	\$ 5,825,588
Income (Loss) Before Contributions	\$ 1,587,123	(\$ 357,967)	(\$ 126,319)	\$ 1,102,837	\$ 728,390	(\$ 119,258)	(\$ 174,683)	\$ 434,449
Capital Contributions - Connection Fees (Refunds)	36,661	59,776		96,437	40,558	85,509		126,067
Capital Contributions - Infrastructure	12,469	34,610		47,079	117,660			117,660
Change in Net Position	\$ 1,636,253	(\$ 263,581)	(\$ 126,319)	\$ 1,246,353	\$ 886,608	(\$ 33,749)	(\$ 174,683)	\$ 678,176
Net Position, Beginning of Year	\$ 28,961,601	\$ 19,973,285	\$ 14,363,790	\$ 63,298,676	\$ 28,074,993	\$ 20,007,034	\$ 14,538,473	\$ 62,620,500
Total Net Position, Ending of Year	\$ 30,597,854	\$ 19,709,704	\$ 14,237,471	\$ 64,545,029	\$ 28,961,601	\$ 19,973,285	\$ 14,363,790	\$ 63,298,676

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

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2019 and 2018

	Sewer	Water	Recreation	Total 2019	Sewer	Water	Recreation	Total 2018
<u>Cash Flows from Operating Activities:</u>								
Receipts from Customers	\$ 1,547,951	\$ 3,898,537	\$ 796,983	\$ 6,243,471	\$ 1,541,151	\$ 3,888,769	\$ 1,124,675	\$ 6,554,595
Paid to Suppliers for Goods and Services	(1,317,792)	(2,431,685)	(958,124)	(4,707,601)	(2,209,979)	(2,086,807)	(925,650)	(5,222,436)
Paid to Employees for Services	(2,870,854)	(908,478)	(595,381)	(4,374,713)	(2,610,464)	(788,543)	(488,591)	(3,887,598)
Net Cash Provided (Used) by Operating Activities	(\$ 2,640,695)	\$ 558,374	(\$ 756,522)	(\$ 2,838,843)	(\$ 3,279,292)	\$ 1,013,419	(\$ 289,566)	(\$ 2,555,439)
<u>Cash Flows from Noncapital Financing Activities:</u>								
Property Taxes Collected	\$ 5,310,730		\$ 650,837	\$ 5,961,567	\$ 4,979,431		\$ 608,101	\$ 5,587,532
Fiscal Agent Fees	(76,382)		(6,361)	(82,743)	(66,389)		(6,298)	(72,687)
Other Non-Operating Revenues	49,908	27,180	2,535	79,623	72,904	2,185	4,434	79,523
Net Cash Provided by Noncapital Financing Activities	\$ 5,284,256	\$ 27,180	\$ 647,011	\$ 5,958,447	\$ 4,985,946	\$ 2,185	\$ 606,237	\$ 5,594,368
<u>Cash Flows from Capital and Related Financing Activities:</u>								
Acquisition of Capital Assets	(\$ 606,104)	(\$ 2,177,020)	(\$ 598,074)	(\$ 3,381,198)	(\$ 3,258,168)	(\$ 615,109)	\$ 33,520	(\$ 3,839,757)
Capital Grants Received	13,944	44,227	394,262	452,433	126,512	26,726	323,972	477,210
Principal Paid on Bonds and Notes		(329,337)		(329,337)		(316,704)		(316,704)
Interest Paid on Bonds and Notes		(97,594)		(97,594)		(134,005)		(134,005)
Contributed Capital	49,130	94,386		143,516	158,218	85,509		243,727
Net Cash Provided (Used) by Capital and Related Financing Activities	(\$ 543,030)	(\$ 2,465,338)	(\$ 203,812)	(\$ 3,212,180)	(\$ 2,973,438)	(\$ 953,583)	\$ 357,492	(\$ 3,569,529)
<u>Cash Flows from Investing Activities:</u>								
Sale of Investments	\$ 61,548			\$ 61,548	\$ 212,974			\$ 212,974
Interest on Investments	203,436		1,242	204,678	110,421		2,116	112,537
Net Cash Provided by Investing Activities	\$ 264,984	\$ 0	\$ 1,242	\$ 266,226	\$ 323,395	\$ 0	\$ 2,116	\$ 325,511
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 2,365,515	(\$ 1,879,784)	(\$ 312,081)	\$ 173,650	(\$ 943,389)	\$ 62,021	\$ 676,279	(\$ 205,089)

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

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2019 and 2018

	Sewer	Water	Recreation	Total 2019	Sewer	Water	Recreation	Total 2018
Balance Forward	\$ 2,365,515	(\$ 1,879,784)	(\$ 312,081)	\$ 173,650	(\$ 943,389)	\$ 62,021	\$ 676,279	(\$ 205,089)
Cash and Cash Equivalents, Beginning of Year	<u>3,074,441</u>	<u>3,764,567</u>	<u>1,535,694</u>	<u>8,374,702</u>	<u>4,017,830</u>	<u>3,702,546</u>	<u>859,415</u>	<u>8,579,791</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,439,956</u>	<u>\$ 1,884,783</u>	<u>\$ 1,223,613</u>	<u>\$ 8,548,352</u>	<u>\$ 3,074,441</u>	<u>\$ 3,764,567</u>	<u>\$ 1,535,694</u>	<u>\$ 8,374,702</u>
<u>Cash and Cash Equivalents as Presented on the Statement of Net Position:</u>								
Current Assets: Cash and Cash Equivalents	\$ 4,833,053	\$ 1,392,433	\$ 864,199	\$ 7,089,685	\$ 2,435,170	\$ 3,367,490	\$ 1,155,271	\$ 6,957,931
Restricted Assets: Cash and Cash Equivalents	<u>606,903</u>	<u>492,350</u>	<u>359,414</u>	<u>1,458,667</u>	<u>639,271</u>	<u>397,077</u>	<u>380,423</u>	<u>1,416,771</u>
	<u>\$ 5,439,956</u>	<u>\$ 1,884,783</u>	<u>\$ 1,223,613</u>	<u>\$ 8,548,352</u>	<u>\$ 3,074,441</u>	<u>\$ 3,764,567</u>	<u>\$ 1,535,694</u>	<u>\$ 8,374,702</u>
<u>Reconciliation of Operating Loss to Net</u>								
<u>Cash Provided (Used) by Operating Activities:</u>								
Operating Loss	(\$ 3,957,751)	(\$ 339,958)	(\$ 1,366,444)	(\$ 5,664,153)	(\$ 4,599,824)	(\$ 8,279)	(\$ 783,036)	(\$ 5,391,139)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:								
Depreciation	1,338,774	962,303	486,617	2,787,694	1,220,172	986,048	551,856	2,758,076
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:								
(Increase)/Decrease in:								
Accounts Receivable	35,960	12,584	(52,158)	(3,614)	13,897	(12,048)	7,029	8,878
Inventory	12,668		(174)	12,494	(1,792)		1,749	(43)
Deposits and Prepaid Expenses	42,352			42,352	(117,008)		(1,245)	(118,253)
Deferred Outflows of Resources	(289,417)	(102,696)	(74,688)	(466,801)	109,759	38,947	28,324	177,030
Increase/(Decrease) in:								
Accounts Payable	94,495	30,534	215,248	340,277	72,179	26,181	(5,075)	93,285
Compensated Absences Payable	61,035	9,105	9,626	79,766	(40,882)	452	(9,622)	(50,052)
Accrued Liabilities	5,673	(19,005)	21,446	8,114	39,556	(26,629)	(85,907)	(72,980)
Net Pension Liabilities	(25,726)	(9,128)	(6,639)	(41,493)	97,452	34,580	25,149	157,181
Deferred Inflows of Resources	<u>41,242</u>	<u>14,635</u>	<u>10,644</u>	<u>66,521</u>	<u>(72,801)</u>	<u>(25,833)</u>	<u>(18,788)</u>	<u>(117,422)</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$ 2,640,695)</u>	<u>\$ 558,374</u>	<u>(\$ 756,522)</u>	<u>(\$ 2,838,843)</u>	<u>(\$ 3,279,292)</u>	<u>\$ 1,013,419</u>	<u>(\$ 289,566)</u>	<u>(\$ 2,555,439)</u>

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

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2019 and 2018

	Sewer	Water	Recreation	Total 2019	Sewer	Water	Recreation	Total 2018
<u>Capital and Related Financing Activities</u>								
Acquisition of Capital Assets	\$ 437,591	\$ 1,793,499	\$ 597,621	\$ 2,828,711	\$ 3,237,479	\$ 986,984	\$ 995	\$ 4,225,458
(Increase)/Decrease in Accounts Payable	<u>168,513</u>	<u>383,521</u>	<u>453</u>	<u>552,487</u>	<u>20,689</u>	<u>(371,875)</u>	<u>(34,515)</u>	<u>(385,701)</u>
Cash Used for Acquisition of Capital Assets	<u>\$ 606,104</u>	<u>\$ 2,177,020</u>	<u>\$ 598,074</u>	<u>\$ 3,381,198</u>	<u>\$ 3,258,168</u>	<u>\$ 615,109</u>	<u>(\$ 33,520)</u>	<u>\$ 3,839,757</u>
<u>Capital Contributed by Developers</u>								
Contributions of Capital to the District	\$ 49,130	\$ 94,386	\$	\$ 143,516	\$ 158,218	\$ 85,509	\$	\$ 243,727
Less - Contribution of Land and Improvements	<u>49,130</u>	<u>94,386</u>	<u>0</u>	<u>143,516</u>	<u>158,218</u>	<u>85,509</u>	<u>0</u>	<u>243,727</u>
Cash Provided by Contributions	<u>\$ 49,130</u>	<u>\$ 94,386</u>	<u>\$ 0</u>	<u>\$ 143,516</u>	<u>\$ 158,218</u>	<u>\$ 85,509</u>	<u>\$ 0</u>	<u>\$ 243,727</u>

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the North Tahoe Public Utility District conform to generally accepted accounting principles as applied to governmental units. The following is a summary of significant policies:

- A. Organization and Description of the District - The North Tahoe Public Utility District was organized in 1948 for the principal purpose of providing sewage collection and treatment facilities for the residents of the area.

The District began providing water services in 1967 with the acquisition of the Brockway Water Company and has since then acquired several small water companies. In 1970, the District established a department for recreational activities. Under its broad powers of service, the District also provides select street lights.

The general area of the District is located along approximately seven miles of the north shore of Lake Tahoe from the Nevada state line at Crystal Bay to the boundaries of the Tahoe City Public Utility District at Dollar Point, California.

Principles Determining Scope of Reporting Entity - The District has developed criteria to determine whether outside agencies with activities which benefit the citizens of the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships.

Based on these criteria, the District (the oversight unit) has included in these financial statements the North Tahoe Building Corporation, a California nonprofit public benefit corporation. The following facts were considered in forming that conclusion. The Corporation is controlled by the same governing authority, utilizes the same management, and is financially dependent upon the District. Its operations are influenced by the District and the District is responsible for its fiscal management, budgetary control, surpluses and deficits, and provides the sole source of its revenues. The Corporation provides financing for the District's renovation of its sewer, water and recreation systems. The water system is

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

A. Principles Determining Scope of Reporting Entity (Continued):

the only debt still outstanding. Separate financial statements for the individual component unit may be obtained by contacting Vanetta Van Cleave, Chief Financial Officer, North Tahoe Public Utility District, P.O. Box 139, Tahoe Vista, CA 96148-0139.

One entity which is not part of the District's reporting entity but was in part created by the District for special purposes is accounted for as a jointly governed organization. Additional information regarding the District's jointly governed organization is provided in Note 10. The following is a description of the jointly owned organization in which the District participates.

The Special District Risk Management Authority (SDRMA) was created by a Joint Exercise of Powers Agreement between the North Tahoe Public Utility District and several other member Districts. The Authority is organized as a separate and distinct public entity and is governed by a Board of Directors elected by the member entities. The governing board appoints its own management and approves its own budget.

B. Measurement Focus and Basis of Accounting - The term measurement focus is used to denote what is being measured and reported in the District's operating statement. The District is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the District is better or worse off economically as a result of events and transactions of the period.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the District's operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

C. Financial Statements Presentation - The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to its business-type activities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

GASB 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses) for the determination of major funds. The District reports the three major funds. The Sewer Fund is an enterprise fund that is used to account for the District's provision of sewer and related services and support services. The Water Fund is an enterprise fund that is used to account for the District's provision of water and related services. The Recreation Fund is an enterprise fund that is used to account for the District's provision of recreation related services, including the Event Center. Interfund activity between these funds has been eliminated in the financial statement presentation.

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

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2019 and 2018, the District has debt related to capital assets of \$2,704,060 and \$3,033,397, respectively.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

- *Unrestricted net position* - This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's practice is to apply restricted net position first.

- D. Use of Estimates - Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- E. Cash and Cash Equivalents - Cash for all enterprise funds is pooled, and investment earnings from savings accounts, certificates of deposit and other investments are allocated to the various funds based on their individual investment in the selected investment vehicle. For the purposes of the statement of cash flows, the District considers all cash, certificates of deposit and savings, and cash with fiscal agents (including restricted assets) with a maturity of 3 months or less when purchased to be cash equivalents. (See Note 2 for additional disclosures of District deposits and investments).
- F. Accounts Receivable - Service charges receivable, a component of accounts receivable, are sent to the county annually to be placed on the tax rolls for collection. Therefore, no allowance for uncollectible charges is provided.
- G. Investments - Investments in securities with readily determinable fair values, open-end mutual funds, long-term certificates of deposits and debt securities are valued at their fair values in the statement of net position. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net position. For the fiscal years ended June 30, 2019 and 2018, fair value of the District's investments approximated cost. Investments in external investment pools are valued on the basis of \$1.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

H. Fair Value Measurement - As of July 1, 2015, the District retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. 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. (See Note 2B for additional disclosure of District investments).

I. Inventory - Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The cost is recorded as an expense as inventory items are consumed.

J. Capital Assets - Capital assets are defined by the District as assets with an initial cost of \$5,000 or more with an estimated useful life in excess of one year. Capital assets are stated at cost, or the market value at the time received in the case of gifts or contributions. Maintenance and repairs are charged to expense as incurred. Replacements which improve or extend the lives of property are capitalized.

Costs of retired assets are removed from the asset accounts in the year of sale or retirement.

K. Depreciation - Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Utility Plant	30 - 50 Years
Machinery and Equipment	5 - 15 Years

L. Revenue Recognition - Property Taxes - Taxes are levied on November 1 and February 1 and are due and payable at that time. Unpaid property taxes are attached as an enforceable lien on property as of March 1.

Property tax revenues are recognized in the fiscal period for which they are levied and in which they become available.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

M. Operating/Non-Operating Revenue and Expenses - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

N. Designations of Net Position - Designations of Net Position Restricted for Board Reserves are used to show the amounts within unrestricted net position which the Board has designated for specific purposes but are not legally restricted. The designated balances at June 30, 2019 and 2018 are as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Total</u>
June 30, 2019	\$ 2,346,893	\$ 1,392,696	\$	\$ 3,739,589
June 30, 2018	\$ 1,816,835	\$ 2,057,991	\$	\$ 3,874,826

O. Compensated Absences - A maximum of up to 20 days of vacation and 12 days of sick leave per year may be accumulated per employee. Employees are paid between 50% and 100% of their accumulated sick leave depending upon tenure and the nature of their termination. A maximum of two times the employee's annual rate of vacation may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the District has accrued a liability for vacation and sick pay which has been earned but not taken by District employees. The liability for compensated absences is recorded as an accrued liability in accordance with GASB Statement 16. At June 30, 2019, the recorded liability was \$409,669 and at June 30, 2018 was \$329,903.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- P. Budgetary Control - The Board adopts an operating budget prior to the beginning of each year.
- Q. 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 District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For more information on this plan, see Note 6.
- R. Risk Pools - The District is a member of the Special District Risk Management Authority (SDRMA) which provides workers' compensation coverage for the District in addition to health insurance for management. All costs are currently recorded as operating expenses.
- S. Interfund Transfers - The permanent reallocation of resources between funds are classified as interfund transfers.
- T. Accounting Pronouncements that have been Implemented in the Current Financial Statements - None relevant to the District.
- U. Newly Issued Accounting Pronouncements, But Not Yet Effective -
Governmental Accounting Standards Board Statement No. 92 – In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020* with required implementation for the District during the year ended June 30, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- V. Deferred Outflow/Deferred Inflow of Resources - In addition to assets, the financial statements report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources. Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

See Note 6 for further details related to these pension deferred outflows and inflows.

- W. Reclassifications - Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS:

The District follows the practice of pooling cash and investments of all funds.

Interest income earned on investments is allocated annually to the funds based on the month-end cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

The District invests certain operating and restricted funds in time certificates of deposit, and the State of California Local Agency Investment Fund (LAIF). These investments are included in cash as cash equivalents and are stated at their fair values and carrying values.

- A. Deposits - Statutes allow the District to deposit excess funds with depositories under pooled collateral arrangements whereby qualified securities are pledged with the depository's trust department or an independent agent of the depository.

While these securities are pledged to protect the deposits of the District, they are not held in the District's name or by the District. In accordance with Governmental Accounting Standards Board Statement No. 3, collateral not held in the name of the District or by the District is to be classified as uncollateralized.

At June 30, 2019, the carrying amount of the District's deposits was \$6,781,484. The bank's balances were \$6,790,885. Of this amount \$4,001,797 was covered by federal depository insurance. The remaining \$2,789,089 was covered by collateral equal to at least 110% with qualified securities pledged by the depository's trust department or an independent agent of the depository.

At June 30, 2018, the carrying amount of the District's deposits was \$4,696,280. The bank's balances were \$4,878,421. Of this amount \$3,794,332 was covered by federal depository insurance. The remaining \$1,084,089 was covered by collateral equal to at least 110% with qualified securities pledged by the depository's trust department or an independent agent of the depository.

- B. Investments - Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities within the State, State Treasury, bankers' acceptances, and commercial paper of the highest ranking provided by Moody's Investors Service, Inc., or Standard and Poor's Corporation, repurchase or reverse repurchase agreements, and the State Treasurer's Investment Pool.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

B. Investments (Continued):

The investment policy set by the Directors of the District is more conservative than that set by state statute. The policy allows the District treasurer to invest in certificates of deposit, U.S. Treasury Bills, instruments guaranteed by the U.S. Government, Money Market Accounts, and investment in U.S. Government securities, Placer County Investment Fund, and the LAIF.

Investment in State Investment Pool - The District's LAIF investment is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The District is a voluntary participant in the investment pool.

Structured notes and asset-backed securities comprised 1.77% and 2.67% of LAIF's total portfolio for all investors as of June 30, 2019 and 2018, respectively. Fair value of a pool share was 1.00171179 and 0.998126869 for those same periods. The cost value of a pool share was constant at \$1.00.

	2019		2018	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	\$ 4,007,604	\$ 4,014,464	\$ 5,924,581	\$ 5,913,483

Fair Value of Investments - Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

B. Investments (Continued):

The District's other investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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.

Investments' fair value measurements are as follows at June 30, 2019:

		Fair Value Measurement Using		
Investment by Fair Value Level	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cerificates of Deposits	\$ 2,268,147	\$ 2,268,147	\$	\$
U.S. Government Securities	<u>327,587</u>	<u>327,587</u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 2,595,734</u>	<u>\$ 2,595,734</u>	<u>\$ 0</u>	<u>\$ 0</u>

Investments' fair value measurements are as follows at June 30, 2018:

		Fair Value Measurement Using		
Investment by Fair Value Level	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cerificates of Deposits	\$ 2,247,358	\$ 2,247,358	\$	\$
U.S. Government Securities	<u>412,358</u>	<u>412,358</u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 2,659,716</u>	<u>\$ 2,659,716</u>	<u>\$ 0</u>	<u>\$ 0</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

B. Investments (Continued):

Investments categorized as Level 1 are valued based on prices quoted in active markets for those securities. The District does not have any investments valued as Level 2 and Level 3.

Credit risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Custodial credit risk: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have custodial credit risk policies for investments.

The District's investments at June 30, 2019 and 2018 are presented below:

	2019		2018	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Certificates of Deposits	\$ 2,268,147	\$ 2,268,147	\$ 2,247,358	\$ 2,247,358
U.S. Government Securities	<u>326,275</u>	<u>327,587</u>	<u>409,923</u>	<u>412,358</u>
Total Investments	<u>\$ 2,594,422</u>	<u>\$ 2,595,734</u>	<u>\$ 2,657,281</u>	<u>\$ 2,659,716</u>

These investments are fully insured.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. A portion of the District's investments are subject to this risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by duration.

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

B. Investments (Continued):

Investments of the District subject to interest rate risk on June 30, 2019 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
Certificates of Deposit	\$ 245,000	\$ 244,951	7/2019
Certificates of Deposit	130,000	130,013	8/2019
Certificates of Deposit	245,000	244,985	8/2019
Certificates of Deposit	124,894	125,123	11/2019
Certificates of Deposit	200,000	199,792	12/2019
Certificates of Deposit	155,000	154,583	6/2020
Certificates of Deposit	142,000	142,104	6/2020
Certificates of Deposit	207,000	207,929	12/2020
Certificates of Deposit	245,000	246,803	2/2021
Certificates of Deposit	206,000	206,987	6/2021
Certificates of Deposit	245,000	248,949	8/2021
Certificates of Deposit	245,000	245,098	9/2021
Certificates of Deposit	245,000	246,676	5/2022
Certificates of Deposit	144,000	144,991	6/2022
Certificates of Deposit	100,000	99,112	4/2023
Weighted average maturity	\$ 2,878,894	\$ 2,888,096	11/2020

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

B. Investments (Continued):

Investments of the District subject to interest rate risk on June 30, 2018 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
Certificates of Deposit	\$ 55,000	\$ 54,985	7/2018
Certificates of Deposit	185,000	184,933	7/2018
Certificates of Deposit	245,000	244,897	8/2018
Certificates of Deposit	179,000	178,721	8/2018
Certificates of Deposit	125,000	124,931	9/2018
Certificates of Deposit	100,000	99,674	9/2018
Certificates of Deposit	100,000	99,931	9/2018
Certificates of Deposit	100,000	99,674	9/2018
Certificates of Deposit	122,000	121,810	11/2018
Certificates of Deposit	200,000	199,618	12/2018
Certificates of Deposit	245,000	244,740	2/2019
Certificates of Deposit	60,000	59,852	3/2019
Certificates of Deposit	100,000	99,024	3/2019
Certificates of Deposit	100,000	100,000	6/2019
Certificates of Deposit	200,000	198,936	6/2019
Certificates of Deposit	245,000	244,708	6/2019
Certificates of Deposit	245,000	243,922	7/2019
Certificates of Deposit	200,000	198,020	12/2019
Certificates of Deposit	245,000	243,942	9/2019
Certificates of Deposit	155,000	152,308	6/2020
Certificates of Deposit	142,000	140,478	6/2020
Weighted average maturity	\$ 3,348,000	\$ 3,335,104	4/2019

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

C. Classification:

<u>Summary of Cash and Investments:</u>	2019	2018
Cash Deposits and on Hand	\$ 4,540,748	\$ 2,447,686
LAIF	4,007,604	5,924,581
Investments	2,595,734	2,659,716
	\$ 11,144,086	\$ 11,031,983
 <u>Cash and Investments</u>		
<u>Classified in the Balance Sheet:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 7,089,685	\$ 6,957,931
Restricted	1,458,667	1,416,771
	\$ 8,548,352	\$ 8,374,702
Investments:		
Unrestricted	\$ 2,595,734	\$ 2,657,281
	\$ 11,144,086	\$ 11,031,983

NOTE 3 ACCOUNTS RECEIVABLE:

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

	2019	2018
Service Charges	\$ 56,214	\$ 43,233
Taxes, Net of Allowance for Doubtful		
Accounts of \$0 for 2019 and 2018	651,066	584,323
Other	94,672	101,474
	\$ 801,952	\$ 729,030

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

	2019	2018
Grants	\$ 249,193	\$ 69,475

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 4 RESTRICTED ASSETS AND LIABILITIES:

Restricted assets at June 30, 2019 are identified by use as follows:

	<u>Sewer</u> Construction Reserves	<u>Water</u> Construction Reserves	<u>Recreation</u> Construction Reserves	<u>Total</u>
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 606,903	\$ 492,350	\$ 359,414	\$ 1,458,667
Accounts Receivable	72	23,064	226,057	249,193
Deposits and Prepaid Expenses			12,542	12,542
	<u>606,975</u>	<u>515,414</u>	<u>598,013</u>	<u>1,720,402</u>
<u>Total Restricted Assets</u>				
<u>Current Liabilities (Payable from Restricted Assets):</u>				
Accounts Payable	\$	\$ 28,441	\$ 34,062	\$ 62,503
	<u>0</u>	<u>28,441</u>	<u>34,062</u>	<u>62,503</u>
<u>Total Restricted Liabilities</u>				

Restricted assets at June 30, 2018 are identified by use as follows:

	<u>Sewer</u> Construction Reserves	<u>Water</u> Construction Reserves	<u>Recreation</u> Construction Reserves	<u>Total</u>
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 639,271	\$ 397,077	\$ 380,423	\$ 1,416,771
Accounts Receivable	26,143	14,885	28,447	69,475
Deposits and Prepaid Expenses			12,542	12,542
	<u>665,414</u>	<u>411,962</u>	<u>421,412</u>	<u>1,498,788</u>
<u>Total Restricted Assets</u>				
<u>Current Liabilities (Payable from Restricted Assets):</u>				
Accounts Payable	\$ 168,513	\$ 411,962	\$ 34,515	\$ 614,990
	<u>168,513</u>	<u>411,962</u>	<u>34,515</u>	<u>614,990</u>
<u>Total Restricted Liabilities</u>				

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 5 CAPITAL ASSETS:

The following is a summary of the capital assets at June 30, 2019:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 93,547	\$	\$	\$ 93,547
Construction In Progress	2,902,350	227,324	(3,060,483)	69,191
Total Capital Assets not being Depreciated	\$ 2,995,897	\$ 227,324	(\$ 3,060,483)	\$ 162,738
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 6,920,068	\$ 19,310	\$	\$ 6,939,378
Sewage System	33,492,901	2,963,004		36,455,905
Vehicles and Equipment	5,995,496	253,963		6,249,459
Furniture and Office Equipment	871,779	34,473		906,252
Total Capital Assets being Depreciated	\$ 47,280,244	\$ 3,270,750	\$ 0	\$ 50,550,994
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 1,734,377	\$ 187,340	\$	\$ 1,921,717
Sewage System	20,331,002	842,058		21,173,060
Vehicles and Equipment	4,403,058	299,852		4,702,910
Furniture and Office Equipment	854,047	9,524		863,571
Total Accumulated Depreciation	\$ 27,322,484	\$ 1,338,774	\$ 0	\$ 28,661,258
Net Capital Assets	\$ 22,953,657	\$ 2,159,300	(\$ 3,060,483)	\$ 22,052,474

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 780,047	\$	\$	\$ 780,047
Construction In Progress	517,368	1,681,394	(15,180)	2,183,582
Total Capital Assets not being Depreciated	\$ 1,297,415	\$ 1,681,394	(\$ 15,180)	\$ 2,963,629
<u>Capital Assets being Depreciated:</u>				
Water System	\$ 34,054,953	\$ 127,285	\$	\$ 34,182,238
Vehicles and Equipment	285,750			285,750
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	\$ 34,376,622	\$ 127,285	\$ 0	\$ 34,503,907
<u>Less Accumulated Depreciation for:</u>				
Water System	\$ 15,708,207	\$ 950,120	\$	\$ 16,658,327
Vehicles and Equipment	289,060	12,183		301,243
Furniture and Office Equipment	35,919			35,919
Total Accumulated Depreciation	\$ 16,033,187	\$ 962,303	\$ 0	\$ 16,995,490
Net Capital Assets	\$ 19,640,850	\$ 846,376	(\$ 15,180)	\$ 20,472,046

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2019 (Continued):

Recreation Fund:

<u>Capital Assets not being Depreciated:</u>	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 6,265,000	\$	\$	\$ 6,265,000
Construction In Progress	6,785	597,621		604,406
Total Capital Assets not being Depreciated	<u>\$ 6,271,785</u>	<u>\$ 597,621</u>	<u>\$ 0</u>	<u>\$ 6,869,406</u>
 <u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 16,005,277	\$	\$	\$ 16,005,277
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	<u>\$ 16,841,287</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,841,287</u>
 <u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 8,087,208	\$ 486,617	\$	\$ 8,573,825
Vehicles and Equipment	701,493			701,493
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	135,028			135,028
Total Accumulated Depreciation	<u>\$ 10,417,846</u>	<u>\$ 486,617</u>	<u>\$ 0</u>	<u>\$ 10,904,463</u>
Net Capital Assets	<u>\$ 12,695,226</u>	<u>\$ 111,004</u>	<u>\$ 0</u>	<u>\$ 12,806,230</u>
 <u>Total of Net Capital Assets:</u>				
Sewer Department				\$ 22,052,474
Water Department				20,472,046
Recreation Department				<u>12,806,230</u>
				<u>\$ 55,330,750</u>

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2018:

Sewer Fund:

<u>Capital Assets not being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 93,547	\$	\$	\$ 93,547
Construction In Progress	387,919	2,518,896	(4,465)	2,902,350
Total Capital Assets not being Depreciated	<u>\$ 481,466</u>	<u>\$ 2,518,896</u>	<u>(\$ 4,465)</u>	<u>\$ 2,995,897</u>
 <u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 6,746,081	\$ 173,987	\$	\$ 6,920,068
Sewage System	33,375,031	117,870		33,492,901
Vehicles and Equipment	5,564,305	431,191		5,995,496
Furniture and Office Equipment	871,779			871,779
Total Capital Assets being Depreciated	<u>\$ 46,557,196</u>	<u>\$ 723,048</u>	<u>\$ 0</u>	<u>\$ 47,280,244</u>
 <u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 1,553,642	\$ 180,735	\$	\$ 1,734,377
Sewage System	19,588,698	742,304		20,331,002
Vehicles and Equipment	4,123,744	279,314		4,403,058
Furniture and Office Equipment	836,228	17,819		854,047
Total Accumulated Depreciation	<u>\$ 26,102,312</u>	<u>\$ 1,220,172</u>	<u>\$ 0</u>	<u>\$ 27,322,484</u>
Net Capital Assets	<u>\$ 20,936,350</u>	<u>\$ 2,021,772</u>	<u>(\$ 4,465)</u>	<u>\$ 22,953,657</u>

Water Fund:

<u>Capital Assets not being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 780,047	\$	\$	\$ 780,047
Construction In Progress		517,368		517,368
Total Capital Assets not being Depreciated	<u>\$ 780,047</u>	<u>\$ 517,368</u>	<u>\$ 0</u>	<u>\$ 1,297,415</u>
 <u>Capital Assets being Depreciated:</u>				
Water System	\$ 33,585,337	\$ 469,616	\$	\$ 34,054,953
Vehicles and Equipment	285,750			285,750
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	<u>\$ 33,907,006</u>	<u>\$ 469,616</u>	<u>\$ 0</u>	<u>\$ 34,376,622</u>
 <u>Less Accumulated Depreciation for:</u>				
Water System	\$ 14,736,482	\$ 971,725	\$	\$ 15,708,207
Vehicles and Equipment	274,737	14,323		289,060
Furniture and Office Equipment	35,919			35,919
Total Accumulated Depreciation	<u>\$ 15,047,138</u>	<u>\$ 986,048</u>	<u>\$ 0</u>	<u>\$ 16,033,186</u>
Net Capital Assets	<u>\$ 19,639,915</u>	<u>\$ 936</u>	<u>\$ 0</u>	<u>\$ 19,640,851</u>

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2018 (Continued):

Recreation Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 6,265,000	\$	\$	\$ 6,265,000
Construction In Progress	5,790	995		6,785
	<u>6,270,790</u>	<u>995</u>	<u>0</u>	<u>6,271,785</u>
Total Capital Assets not being Depreciated	\$ 6,270,790	\$ 995	\$ 0	\$ 6,271,785
<u>Capital Assets being Depreciated:</u>				
Building and Improvements	\$ 16,005,277	\$	\$	\$ 16,005,277
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
	<u>16,841,287</u>	<u>0</u>	<u>0</u>	<u>16,841,287</u>
Total Capital Assets being Depreciated	\$ 16,841,287	\$ 0	\$ 0	\$ 16,841,287
<u>Less Accumulated Depreciation for:</u>				
Building and Improvements	\$ 7,535,863	\$ 551,345	\$	\$ 8,087,208
Vehicles and Equipment	700,982	511		701,493
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	135,028			135,028
	<u>9,865,990</u>	<u>551,856</u>	<u>0</u>	<u>10,417,846</u>
Total Accumulated Depreciation	\$ 9,865,990	\$ 551,856	\$ 0	\$ 10,417,846
Net Capital Assets	<u>\$ 13,246,087</u>	<u>(\$ 550,861)</u>	<u>\$ 0</u>	<u>\$ 12,695,226</u>
<u>Total of Net Capital Assets:</u>				
Sewer Department				\$ 22,953,657
Water Department				19,640,851
Recreation Department				<u>12,695,226</u>
				<u>\$ 55,289,734</u>

NOTE 6 DEFINED BENEFIT PENSION PLAN:

General Information about the Pension Plan:

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

General Information about the Pension Plan (Continued):

Plan Description (Continued):

The Plan consists of a miscellaneous pool and a safety pool (referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the District. The District’s employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the PEPRA Miscellaneous plan (PEPRA Miscellaneous). The District does not have any rate plans in the safety risk pool.

Benefits Provided - The Plan 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. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2019 and 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.902%	6.25%
Required employer contribution rates	8.892% as of June 30, 2019 and 8.418% as of June 30, 2018	6.842% as of June 30, 2019 and 6.533% as of June 30, 2018

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

General Information about the Pension Plan (Continued):

Contribution Description - 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 CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019 and 2018, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Contributions</u>	
	<u>2019</u>	<u>2018</u>
Miscellaneous Risk Pool	<u>\$ 900,841</u>	<u>\$ 298,327</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2019 and 2018, the District reported net pension liability of \$471,608 and \$513,101, respectively, for its proportionate share of the net pension liability. The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The District's proportionate share of the net pension liability as of June 30, 2017 and 2016, the valuation dates, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2017 and 2016. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2018 and 2017, the measurement dates, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement dates June 30, 2018 and 2017, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018 and 2017 was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2018 and 2017, was calculated by applying the District's proportionate share percentages as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2018 and 2017, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2018 and 2017. The fiduciary net position was then subtracted from its total pension liability to obtain the net pension liability as of the measurement dates.

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The District's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2018 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017 (Measurement Date)	0.013016%
Proportion - June 30, 2018 (Measurement Date)	0.012514%
Change - Decrease	(0.000502%)

The District's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2017 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016 (Measurement Date)	0.010246%
Proportion - June 30, 2017 (Measurement Date)	0.013016%
Change - Increase	0.002770%

The District recognized pension expense of \$459,068 and \$187,008 at June 30, 2019 and 2018, respectively. Pension expense is comprised of various elements including service cost, interest, changes in benefit terms, investment experience, and the amortization of deferred outflows and inflows of resources, which are all factors used by the actuaries in the calculation of the net pension liability.

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

At June 30, 2019, 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
Differences between actual and expected experience	\$ 100,596	\$
Changes in assumptions	108,956	(33,231)
Net differences between projected and actual earnings on plan investments	65,891	
Adjustment due to differences in proportions	102,407	(33,290)
Differences between actual and required contributions	174,747	
Contributions after measurement date	900,841	
Total	\$ 1,453,438	(\$ 66,521)

It should be noted that a deferred outflow of \$900,841 was recognized as pension expense related to contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Net, Deferred Outflows/(Inflows) of Resources
2019	\$ 297,427
2020	169,581
2021	31,617
2022	(12,549)
Total	\$ 486,076

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

At June 30, 2018, 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
Differences between actual and expected experience	\$ 77,498	\$
Changes in assumptions	117,302	
Net differences between projected and actual earnings on plan investments	215,888	
Adjustment due to differences in proportions	68,517	
Differences between actual and required contributions	200,373	
Contributions after measurement date	307,059	
Total	\$ 986,637	\$

Actuarial Assumptions - For the measurement periods ended June 30, 2018 and 2017, the total pension liabilities were determined using the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date (VD)	June 30, 2017 and 2016
Measurement Date (MD)	June 30, 2018 and 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50% as of June 30, 2018 Measurement Date and 2.75% as of June 30, 2017 Measurement Date
Payroll Growth	2.75% as of June 30, 2018 Measurement Date and 3.00% as of June 30, 2017 Measurement Date
Projected Salary Increase (1)	Varies By Age and Length of Service
Investment Rate of Return (2)	7.00% as of June 30, 2018 Measurement Date and 7.50% as of June 30, 2017 Measurement Date
Mortality Rate Table (3)	Derived using CalPERS' Membership Data

⁽¹⁾ Depending on age, service and type of employment.

⁽²⁾ Net of pension plan investment and Administrative expenses; including inflation.

⁽³⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Changes of Assumptions - The inflation rate, payroll growth rate and the investment rate of return changed during the measurement period June 30, 2018. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for the measurement periods June 30, 2018 and June 30, 2017. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2017 based on June 30, 2016 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Discount Rate (Continued):

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 cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 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 the Plan. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	June 30, 2019		
	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)
Total	100.00%		

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

North Tahoe Public Utility District
 NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Asset Class	New Strategic Allocation	June 30, 2018	
		Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.
 (b) An expected inflation of 3.0% used for this period.

Sensitivity of the District’s 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 as of the measurement date, calculated using the discount rate, 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 one percentage-point lower or one percentage-point higher than the current rate:

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's's Net Pension Liability	\$ <u>1,192,718</u>	\$ <u>471,608</u>	(\$ <u>123,656</u>)

At June 30, 2018, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's's Net Pension Liability	\$ <u>1,071,788</u>	\$ <u>513,101</u>	\$ <u>50,386</u>

NOTE 7 LONG-TERM DEBT:

A. Installment Note - On September 1, 2010, the District entered into an installment sale agreement (the “Agreement”) for \$4.5 million to finance the construction of certain capital facilities related to the District’s water acquisition, storage and distribution system consisting primarily of a water storage tank and appurtenances.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 7 LONG-TERM DEBT (Continued):

- A. Installment Note (Continued) - The Agreement's interest rate is 3.95% and is payable semi-annually. Principal repayment began in August 2013 and concludes on February 1, 2026.

A summary of long-term liability activity for the year ended is as follows:

	Beginning Balance	Additions	Repayments	Ending Balance	Due Within One Year
June 30, 2019					
Installment Note	<u>\$ 3,033,397</u>	<u>\$ 0</u>	<u>(\$ 329,337)</u>	<u>\$ 2,704,060</u>	<u>\$ 342,474</u>
June 30, 2018					
Installment Note	<u>\$ 3,350,101</u>	<u>\$ 0</u>	<u>(\$ 316,704)</u>	<u>\$ 3,033,397</u>	<u>\$ 329,337</u>

- B. Interest Expense - Total interest incurred was \$97,594 and \$134,005 for 2019 and 2018, respectively. As of June 30, 2019, and 2018, all interest was expensed.

- C. Debt Service Requirements - Debt service requirements of long-term debt is as summarized as follows:

June 30	Installment Note	Total Principal	Interest	Total Debt Service
2020	\$ 342,474	\$ 342,474	\$ 103,462	\$ 445,936
2021	356,136	356,136	89,800	445,936
2022	370,342	370,342	75,594	445,936
2023	385,115	385,115	60,821	445,936
2024	400,477	400,477	45,459	445,936
Thereafter	<u>849,516</u>	<u>849,516</u>	<u>87,814</u>	<u>937,330</u>
Total Debt	\$ 2,704,060	\$ 2,704,060	\$ 462,950	\$ 3,167,010
Less: Current Portion	(342,474)	(342,474)	(103,462)	(445,936)
Total Long Term Debt, Net of Current Portion	<u>\$ 2,361,586</u>	<u>\$ 2,361,586</u>	<u>\$ 359,488</u>	<u>\$ 2,721,074</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES

Construction Commitments - The District has entered into design and construction commitments totaling \$3,013,979 and \$4,931,067 for fiscal years ended June 30, 2019 and 2018, respectively. As of June 30, 2019, the amount earned on the contracts was \$2,738,549 with a remaining balance of \$275,430. As of June 30, 2018, the amount earned on the contracts was \$3,300,988 with a remaining balance of \$1,630,079.

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 8 COMMITMENTS AND CONTINGENCIES (Continued):

Litigation - Various claims and lawsuits were pending against the District during the year. It is the opinion of management and the District's attorney that the District's risk exposure will not have a material effect on the financial statements.

NOTE 9 VOTER LEGISLATION:

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase and extend assessments and fees. Any new, increased, or extended assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the District's ability to finance the services for which assessments and fees are imposed may be significantly impaired. At this time, it is uncertain how Proposition 218 will affect the District's ability to maintain or increase the revenue it receives from assessments and fees.

NOTE 10 RELATED PARTY TRANSACTIONS:

The District has entered into a joint powers agreement with others to form a separate entity to provide insurance coverage. As a result, the District has related party transactions with SDRMA. During the years ended June 30, 2019 and 2018, the District paid the SDRMA \$122,646 and \$151,030, respectively, for workers' compensation insurance coverage. Additionally, during the years ended June 30, 2019 and 2018, the District paid the SDRMA \$208,598 and \$215,457, respectively, for medical, dental and vision coverage.

NOTE 11 RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters.

The District purchases commercial property insurance for real and personal property damage owned by the District with coverage up to a maximum of \$16.5 million with blanket coverage extension of \$2 million. The District also purchases property insurance covering \$91,700 for unscheduled contractor's equipment, \$1.5 million for scheduled equipment, and \$100,000 for rented equipment (Inland Marine Coverage).

North Tahoe Public Utility District

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 11 RISK MANAGEMENT (Continued):

The District purchases general liability and management liability insurance coverage up to policy term aggregate limits of \$10.0 million each subject to various sub-policy limits, generally \$1.0 million for various activities such as personal and advertising injury or damage to premises rented to the District. The District also maintains insurance coverage related to employee dishonesty and crime in \$10.0 million aggregate. Finally, the District maintains commercial automobile insurance for vehicle related property damage with coverage up to a maximum of \$1.0 million and commercial umbrella insurance or excess liability coverage up to a maximum of \$10.0 million.

NOTE 12 DEFINED CONTRIBUTION PLAN:

The District has a defined contribution money purchase pension plan (the North Tahoe Public Utility District Money Purchase Pension Plan) maintained by Officers of the District as trustees. No other entity contributed to this plan. The last contribution to this plan was made on August 27, 2010 when the District transitioned to a defined benefit plan with California Public Employees' Retirement System (CalPERS).

NOTE 13 SUBSEQUENT EVENTS:

The District's management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

North Tahoe Public Utility District

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

As of June 30, 2019

LAST TEN YEARS*

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Plan's Proportion of the Net Pension Liability	0.004894%	0.005174%	0.004113%	0.003272%	0.004526%
Plan's Proportionate Share of the Net Pension Liability	\$ 471,608	\$ 513,101	\$ 355,920	\$ 224,584	\$ 285,489
Plan's Covered-Employee Payroll	\$ 3,512,806	\$ 3,315,324	\$ 2,891,320	\$ 2,950,176	\$ 2,794,438
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	13.43%	15.48%	12.31%	7.61%	11.37%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	91.15%	87.37%	88.59%	90.71%	83.03%

Notes to Schedule:

Change of benefit terms – In 2019, there were no changes to the benefit terms.

Changes in assumptions – The inflation rate, payroll growth rate and the investment rate of return changed during the measurement period June 30, 2018.

*Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

North Tahoe Public Utility District

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

As of June 30, 2019

LAST TEN YEARS*

<u>Schedule of Pension Plan Contributions:</u>	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually required Contribution (actuarially determined)	\$ 313,767	\$ 307,059	\$ 262,942	\$ 301,229	\$ 284,446
Actual Contributions During the Measurement Period	(883,562)	(298,327)	(267,180)	(301,229)	(284,446)
Contribution deficiency (excess)	<u>(\$ 569,795)</u>	<u>\$ 8,732</u>	<u>(\$ 4,238)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$ 3,541,370	\$ 3,512,806	\$ 3,315,324	\$ 2,891,320	\$ 2,950,176
Contributions as a Percentage of Covered-Employee Payroll	24.95%	8.49%	8.06%	10.42%	9.64%

* Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

SUPPLEMENTARY INFORMATION

North Tahoe Public Utility District

Schedule 1

COMPARISON OF BUDGET TO ACTUAL

June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance With Budget
<u>Revenues:</u>				
Service Charges	\$ 5,334,525	\$ 5,334,525	\$ 5,397,944	\$ 63,419
Recreation Events and Programs	852,315	852,315	849,141	(3,174)
Property Taxes/CFD 94-1	5,860,000	5,860,000	6,030,875	170,875
Investment Income	60,000	60,000	204,678	144,678
Grants	626,015	626,015	632,152	6,137
Miscellaneous/Gain on Property Sale	52,000	52,400	79,622	27,222
Capital Contributions	98,000	98,000	143,516	45,516
	<u>\$ 12,882,855</u>	<u>\$ 12,883,255</u>	<u>\$ 13,337,928</u>	<u>\$ 454,673</u>
<u>Expenses:</u>				
Direct Operating Expenses	\$ 6,140,402	\$ 6,208,402	\$ 5,612,066	\$ 596,336
Administration and General	3,645,148	3,723,148	3,511,478	211,670
Depreciation	2,588,649	2,808,649	2,787,694	20,955
Interest Expense	113,000	113,000	97,594	15,406
Fiscal Agent Fees	96,000	96,000	82,743	13,257
	<u>\$ 12,583,199</u>	<u>\$ 12,949,199</u>	<u>\$ 12,091,575</u>	<u>857,624</u>
Total Positive(Negative) Variance	<u>\$ 299,656</u>	<u>(\$ 65,944)</u>	<u>\$ 1,246,353</u>	<u>\$ 1,312,297</u>