
NORTH TAHOE PUBLIC UTILITY DISTRICT

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

JUNE 30, 2020 and 2019

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**NORTH TAHOE PUBLIC UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

2019 - Financial Statements

The financial statements of North Tahoe Public Utility District as of June 30, 2019, were audited by predecessor auditors. Their report dated April 21, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information contained within the comparison of budget to actual in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2021, on our consideration of North Tahoe Public Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Tahoe Public Utility District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Tahoe Public Utility District's internal control over financial reporting and compliance.

Mann, Ursutia, Nelson CPAs

Sacramento, California
February 2, 2021

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020. Please read it in conjunction with NTPUD's financial statements, which follow this section.

During Fiscal Year 2020 the presentation of District activity was transitioned from funds grouped by Sewer, Water and Recreation to Enterprises aligned the operational activity of the District. The identification of District operational activity resulted in Enterprises made up of Sewer, Water, Recreation, Fleet and General Administration & Base. The following discussion restates the Fiscal Year 2019 for comparison purposes.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT:

The District's Current Assets increased by \$3,032,603 from \$9,228,089 to \$12,260,692. Restricted Assets decreased by \$1,650,352 from \$1,707,860 to \$57,508. Non-Current Investments increased by \$365,600 from \$1,646,545 to \$2,012,145. Capital Assets net of Accumulated Depreciation decreased from \$55,330,750 to \$54,705,692, a decrease of \$625,058. As a result of the GASB 68 adjustments, Deferred Pension Outflows decreased \$332,360 from \$1,453,438 to \$1,121,078. The District's Total Assets and Deferred Outflows increased by \$790,433 to \$70,157,115.

The District's changed its Sewer and Water billing practices beginning on January 1, 2020 from prospective billing to retrospective billing basis. This is reflected in the increase in receivables at current year ended June 30, 2020 compared to prior year ended June 30, 2019.

The District's Current Liabilities (Unrestricted) increased by \$50,405 to \$1,909,840. Current Liabilities (Payable from Restricted Assets) decreased by \$53,110 from \$62,503 to \$9,393. Noncurrent Liabilities decreased by \$813,102 from \$2,833,194 to \$2,020,092. Deferred Inflows of Resources increased \$299,861 to \$366,382.

The Net Investment in Capital Assets decreased by \$282,584 as additions of new Capital Assets did not exceed depreciation and the related matured portion of capital debt repaid. The amount Restricted for Capital Outlay decreased by \$1,122,811. Unrestricted Net Position (Unrestricted) increased by \$2,711,774 from \$10,301,477 to \$13,013,251. Total Net Position increased by \$1,306,379 from \$64,545,029 to \$65,851,408.

Operating Revenues increased by \$897,758 from \$6,343,522 to \$7,241,279. Total Operating Expenses increased \$364,747 from \$11,911,237 to \$12,275,987. Property Tax revenue of \$6,308,936 is \$278,060 more than the prior year. Investment income increased by \$32,593 from \$204,678 to \$237,271. Grant Revenue decreased \$515,994 from \$632,152 to \$116,158. Other Non-Operating Expenses increased \$207,620 from \$82,744 to \$290,365.

FINANCIAL HIGHLIGHTS - SEWER FUND:

Current Assets (not restricted) increased by \$301,002 from \$7,341,944 to \$7,642,948. Restricted Assets decreased \$547,221 from \$547,293 to \$72. Net Capital Assets decreased by \$265,384 from \$21,511,463 to \$21,246,076 as additions to Capital Assets (including transfer from WIP) resulted in net additions which were exceeded by the increase in Accumulated Depreciation.

Current Liabilities (Payable from Current Assets) increased by \$79,892 from \$91,427 to \$171,320. Current Liabilities (Payable from Restricted Assets) remained unchanged. In addition, Deferred Pension Inflows increased by \$69,765 from \$0 to \$69,765. The amount of Unrestricted Net Position increased by \$151,346 from \$7,250,517 to \$7,401,863. Total Net Position decreased by \$661,259 from \$29,309,273 to \$28,648,011.

Operating Revenues increased by \$771,397 from \$1,499,383 to \$2,255,556. Total Operating Expenses were \$1,741,583 less than prior year primarily due to a change in allocation methodology between fund areas. Property Tax revenue of \$818,000 is \$4,562,038 less than the prior year due to Property Tax being primarily recognized in the General Administrative & Base Enterprise. Investment income is also now recognized in the General Administrative & Base Enterprise. Other Non-Operating Expense decreased by \$35,520 from \$76,383 to \$40,863.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

FINANCIAL HIGHLIGHTS – WATER FUND:

Current Assets increased by \$1,250,784 from \$1,467,500 to \$2,718,284. Restricted Assets decreased by \$492,777 from \$506,465 to \$13,688. Capital Assets net of Accumulated Depreciation decreased by \$216,310 from \$20,472,046 to \$20,255,736. Deferred Pension Outflows decreased \$61,794 from \$319,756 to \$257,962.

Current Liabilities (Payable from Current Assets) increased by \$48,524 from \$547,646 to \$596,170. Current Liabilities (Payable from Restricted Assets) decreased by \$28,441 from \$28,441 to \$0. The Long-Term debt portion of Noncurrent Liabilities decreased by \$356,136 from \$2,361,586 to \$2,005,450, the result of the annual principal payments on the debt. The Net Pension Liability portion of Noncurrent Liabilities decreased by \$93,677 from \$103,755 to \$10,078. In addition, Deferred Pension Inflows increased \$55,751 from \$14,635 to \$70,386. The amount of Net Position that is Unrestricted increased by \$714,031 from \$1,495,781 to \$2,209,812. Total Net Position increased by \$853,882 bringing the balance from \$19,709,704 to \$20,563,587.

Operating Revenues increased \$147,096 from \$3,945,728 to \$4,092,824. Total Operating Expenses decreased by \$1,049,330 from prior year primarily due to a change in allocation methodology between fund areas. Grant revenue was \$49,996 lower than the prior year at \$2,410 compared to the \$52,406 in prior year.

FINANCIAL HIGHLIGHTS - RECREATION FUND:

Current Assets increased by \$641,713 from \$1,032,251 to \$1,673,964. Restricted Assets decreased by \$552,171 from \$594,420 to \$42,249. Capital Assets net of Accumulated Depreciation decreased by \$222,044 to \$12,584,186 as the current year capital investment did not exceed the increase in Accumulated Depreciation. Deferred Pension Outflows of Resources decreased by \$51,562 from \$232,551 to \$180,989.

Current Liabilities (Payable from Current Assets) decreased by \$95,137 from \$307,817 to \$212,681. Current Liabilities (Payable from Restricted Assets) decreased by \$24,669 from \$34,062 to \$9,393. The Net Pension Liability classified as Noncurrent Liabilities decreased by \$70,893 from \$75,457 to \$4,564. Deferred Inflows of Resources from Pension increased by \$46,520 from \$10,644 to \$57,164. The Total Net Position decreased by \$5,265 from \$14,237,473 to \$14,232,208. The amount of Net Position that is Unrestricted increased by \$747,875 to close at \$1,615,165.

Recreation Events and Program Revenues of \$848,247 were \$894 lower than the prior year. Total Operating Expenses decreased by \$359,955 from \$2,215,585 to \$1,855,630 primarily due to a change in allocation methodology. The Recreation assessment, called Community Facilities District 94-1 (CFD 94-1), brought in \$922,653, an increase of \$271,815. Grant revenue was \$112,249 down \$479,623 from \$591,872.

FINANCIAL HIGHLIGHTS – FLEET FUND:

Current Assets increased by \$60,811 from \$358,974 to \$419,785. Capital Assets net of Accumulated Depreciation increased by \$74,448 from \$526,184 to \$600,632. Capital Assets net of Accumulated Depreciation increased \$74,448 from \$526,184 to \$600,632.

Current Liabilities (Payable from Current Assets) decreased by \$28,403 from \$46,597 to \$18,194. The amount of Net Position that is Unrestricted increased by \$79,202 from \$312,377 to \$391,579. Deferred Pension Inflows increased by \$10,012 from \$0 to \$10,012. The amount of Net Position that is Unrestricted increased by \$79,201 from \$312,377 to \$391,578. Total Net Position increased by \$153,650 bringing the balance to \$992,211.

Direct Operating Expenses increased by \$20,165 from \$370,494 to \$390,659. Depreciation increased \$26,966 from \$72,147 to \$99,113 due to new capital purchases. Property Tax in the amount of \$243,000 was allocated to Fleet in 2020.

FINANCIAL HIGHLIGHTS – GENERAL, ADMINISTRATIVE & BASE FUND:

Current Assets increased by \$743,671 from \$(972,580) to \$(228,909). Restricted Assets decreased by \$58,183 from \$59,862 to \$1,499. Investments, noncurrent, increased by \$365,600 from \$1,646,545 to \$2,012,145. Capital Assets net of Accumulated Depreciation increased by \$4,235 from \$14,827 to \$19,062. Deferred Pension

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Outflows decreased \$219,004 from \$901,131 to \$682,127.

Current Liabilities (Payable from Current Assets) increased by \$45,529 from \$865,947 to \$911,476. The Net Pension Liability portion of Noncurrent Liabilities decreased by \$179,538 from \$292,396 to \$112,858. Deferred Pension Inflows increased by \$117,813 from \$41,242 to \$159,055. The amount of Net Position that is Unrestricted increased by \$1,019,320 from \$375,512 to \$1,394,832. Total Net Position increased by \$956,371 bringing the balance to \$1,415,391.

Total Operating Expenses increased by \$3,436,966 primarily due to a change in allocation methodology between funds. Property Tax in the amount of \$4,325,283 was recognized in the Enterprise. Investment Income increased from \$108,919 to \$235,667. Other Non-Operating Expense, primarily Pension Expense and Property Tax collection charges, increased to \$174,882.

DUE (TO)/FROM ENTERPRISE:

The amounts due (to) or from other enterprises are as follows at June 30, 2020:

	Sewer	Water	Recreation & Parks	Fleet & Equipment	General & Administrative and Base
Due (To)/From					
Other Fund	7,389,886	2,182,393	1,469,123	420,168	(11,461,570)

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.

All 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, 2020**

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 06/30/2020	Fiscal Year 06/30/2019	Change in Dollars	Percent Charge
Current assets	\$ 12,260,692	\$ 9,228,089	\$ 3,032,603	33%
Restricted assets	57,508	1,707,860	(1,650,352)	(97)%
Investments - noncurrent portion	2,012,145	1,646,545	365,600	22%
Net capital assets	54,705,692	55,330,750	(625,058)	(1)%
Deferred pension outflows	<u>1,121,078</u>	<u>1,453,438</u>	<u>(332,360)</u>	<u>(23)%</u>
 Total assets and deferred outflows of resources	 <u>70,157,115</u>	 <u>69,366,682</u>	 <u>790,433</u>	 <u>1%</u>
Current liabilities unrestricted	\$ 1,909,840	\$ 1,859,435	\$ 50,405	3%
Current liabilities restricted	9,393	62,503	(53,110)	(85)%
Noncurrent liabilities	2,020,092	2,833,194	(813,102)	(29)%
Deferred pension inflows	<u>366,382</u>	<u>66,521</u>	<u>299,861</u>	<u>451%</u>
 Total liabilities and deferred inflows of resources	 <u>4,305,707</u>	 <u>4,821,653</u>	 <u>(515,946)</u>	 <u>(11)%</u>
Net investment in capital assets	\$ 52,344,106	\$ 52,626,690	\$ (282,584)	(1)%
Restricted for capital outlay	48,115	1,170,926	(1,122,811)	(96)%
Restricted for debt service	445,936	445,936	-	-%
Unrestricted (designated for Board reserves)	2,053,093	3,739,589	(1,686,496)	(45)%
Unrestricted (undesignated)	<u>10,960,158</u>	<u>6,561,888</u>	<u>4,398,270</u>	<u>67%</u>
 Total net position	 <u>\$ 65,851,408</u>	 <u>\$ 64,545,029</u>	 <u>\$ 1,306,379</u>	 <u>2%</u>

As can be seen from the table above, Net Position grew by \$1,306,379 from \$64,545,029 to \$65,851,408. The makeup of Net Position changed as Current Assets increase by \$3,032,603 while Restricted Current Assets decreased by slightly more than half that amount at 33% and 97% respectively. Amounts invested in Capital Assets decreased by \$625,058 or 1%. Non-Current Liabilities decreased \$813,102 or 29% while Deferred Inflows/Outflows increase/decrease largely offset. Amounts Restricted for Debt Service was consistent at \$445,936. Unrestricted (Defined for Board Reserves) decreased \$1,260,019 to \$2,479,570 due to revision in policy. Unrestricted (Undefined) balance increased by \$6,451,363 from \$6,561,887 to \$13,013,250.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

REVENUES, EXPENSES AND CHANGES IN NET POSITION:

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year 06/30/2020	Fiscal Year 06/30/2019	Change in Dollars	Percent Change
Operating revenues	\$ 7,241,279	\$ 6,343,522	\$ 897,757	14%
Operating expenses	<u>12,275,987</u>	<u>11,911,237</u>	<u>364,750</u>	<u>3%</u>
Net operating loss	<u>(5,034,708)</u>	<u>(5,567,715)</u>	<u>533,007</u>	<u>(10)%</u>
Property tax revenues	6,308,936	6,030,876	278,060	5%
Other non-operating revenues and expenses	<u>30,492</u>	<u>736,113</u>	<u>(705,621)</u>	<u>(96)%</u>
Non-operating revenues and expenses	<u>6,339,428</u>	<u>6,766,989</u>	<u>(427,561)</u>	<u>(6)%</u>
Income before capital contributions	1,304,720	1,199,274	105,446	9%
Capital contributions	<u>1,659</u>	<u>47,079</u>	<u>(45,420)</u>	<u>(96)%</u>
Change in net position	1,306,379	1,246,353	60,026	5%
Net position, beginning of year	64,545,029	63,298,676	(60,026)	2%
Total net position, ending of year	<u>\$ 65,851,408</u>	<u>\$ 64,545,029</u>	<u>\$ 1,306,379</u>	<u>2%</u>

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 \$1,306,379 was \$60,031 more than the \$1,246,353 increase of the prior year. This was due to a \$533,007 decrease in the Net Operating Loss offset by a \$427,561 increase in net Non-Operating Revenues and Expenses.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 2020 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	\$ 7,165,534	\$ 7,241,279	\$ 75,745
Operating expenses	<u>(13,084,615)</u>	<u>(12,275,987)</u>	<u>808,628</u>
Net operating loss	<u>(5,919,081)</u>	<u>(5,034,708)</u>	<u>884,373</u>
Property tax revenues	5,955,000	6,308,936	353,936
Other non-operating revenues and expenses	<u>106,900</u>	<u>30,492</u>	<u>(76,408)</u>
Non-operating revenues and expenses	6,061,900	6,339,428	277,528
(Loss)/income before capital contributions	142,819	1,304,720	1,161,901
Capital contributions	<u>-</u>	<u>1,659</u>	<u>1,659</u>
Change in net position	<u>\$ 142,819</u>	<u>\$ 1,306,379</u>	<u>\$ 1,163,560</u>

Operating Revenues of \$7,241,279 were \$75,746 over the Budget of \$7,165,534. Operating Expenses of \$12,275,987 were \$808,631 under the amount budgeted. Property Taxes, including CFD 94-1, revenues surpassed the budgeted amount by \$353,936. Other Non-Operating Revenues and Expenses when netted had a \$277,529 positive variance to budget. The total Change in Net Position of \$1,306,384 exceeded the budgeted amount of \$142,819 decrease by \$1,163,565.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

CAPITAL ASSETS:

Table A-4
Condensed Statement of Fixed Assets

	<u>Fiscal Year 06/30/2020</u>	<u>Fiscal Year 06/30/2019</u>	<u>Change in Dollars</u>	<u>Percent Change</u>
Fixed assets	\$ 113,635,265	\$ 109,034,782	\$ 4,600,483	4%
Construction in progress	<u>489,930</u>	<u>2,857,177</u>	<u>(2,367,247)</u>	<u>(83)%</u>
Total capital assets	114,125,195	111,891,959	2,233,236	2%
Accumulated depreciation	<u>(59,419,503)</u>	<u>(56,561,209)</u>	<u>(2,858,294)</u>	<u>5%</u>
Net capital assets	<u>\$ 54,705,692</u>	<u>\$ 55,330,750</u>	<u>\$ (625,058)</u>	<u>(1)%</u>

At the end of fiscal year 2020, the District had \$113,635,266 invested in capital assets as shown in Table A-4. Fixed Assets grew by \$4,600,484 or 4%. Construction in Process decreased by \$2,367,250 Accumulated depreciation increased \$2,858,291 compared to prior year. The result was Net Capital Assets decreased by \$625,057.

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

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2020**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2020</u>
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents (Note 2)	\$ -	\$ 447,416	\$ 64,526	\$ -	\$ 8,114,904	\$ 8,626,846
Investments (Note 2)	-	-	-	-	1,511,926	1,511,926
Due (To)/From Other Fund	7,389,886	2,182,393	1,469,123	420,168	(11,461,570)	-
Accounts receivable (Note 3)	(24,371)	88,475	156,220	(383)	1,319,533	1,539,474
Inventory	277,433	-	6,173	-	-	283,606
Deposits and prepaid expenses	-	-	12,542	-	286,298	298,840
	<u>7,642,948</u>	<u>2,718,284</u>	<u>1,708,584</u>	<u>419,785</u>	<u>(228,909)</u>	<u>12,260,692</u>
Total current assets						
Restricted assets:						
Accounts receivable (Note 3)	<u>72</u>	<u>13,688</u>	<u>42,249</u>	<u>-</u>	<u>1,499</u>	<u>57,508</u>
	<u>72</u>	<u>13,688</u>	<u>42,249</u>	<u>-</u>	<u>1,499</u>	<u>57,508</u>
Total restricted assets						
Noncurrent assets:						
Investments (Note 2)	-	-	-	-	2,012,145	2,012,145
Capital assets, net of accumulated depreciation (Note 4)	<u>21,246,076</u>	<u>20,255,737</u>	<u>12,584,187</u>	<u>600,632</u>	<u>19,060</u>	<u>54,705,692</u>
	<u>21,246,076</u>	<u>20,255,737</u>	<u>12,584,187</u>	<u>600,632</u>	<u>2,031,205</u>	<u>56,717,837</u>
Total noncurrent assets						
Total Assets	<u>28,889,096</u>	<u>22,987,709</u>	<u>14,335,020</u>	<u>1,020,417</u>	<u>1,803,795</u>	<u>69,036,037</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>						
Changes in the net pension liability (Note 6)	<u>-</u>	<u>257,962</u>	<u>180,989</u>	<u>-</u>	<u>682,127</u>	<u>1,121,078</u>
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 257,962</u>	<u>\$ 180,989</u>	<u>\$ -</u>	<u>\$ 682,127</u>	<u>\$ 1,121,078</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2020 (Continued)**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2020</u>
<u>LIABILITIES</u>						
Current liabilities						
Accounts payable and other liabilities	\$ 64,432	\$ 133,146	\$ 49,185	\$ 3,609	\$ 624,679	\$ 875,051
Deferred revenue	-	-	118,321	-	-	118,321
Compensated absences	106,888	106,888	45,174	14,585	286,797	560,332
Long term debt - current portion (Note 5)	<u>-</u>	<u>356,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,136</u>
Total current liabilities (payable from current assets)	<u>171,320</u>	<u>596,170</u>	<u>212,680</u>	<u>18,194</u>	<u>911,476</u>	<u>1,909,840</u>
Current liabilities (payable from restricted assets)						
Accounts payable and other liabilities	<u>-</u>	<u>-</u>	<u>9,393</u>	<u>-</u>	<u>-</u>	<u>9,393</u>
Total current liabilities	<u>171,320</u>	<u>596,170</u>	<u>222,073</u>	<u>18,194</u>	<u>911,476</u>	<u>1,919,233</u>
Noncurrent liabilities						
Long term debt - long term portion (Note 5)	-	2,005,450	-	-	-	2,005,450
Net pension liability (Note 6)	<u>-</u>	<u>10,078</u>	<u>4,564</u>	<u>-</u>	<u>-</u>	<u>14,642</u>
Total noncurrent liabilities	<u>-</u>	<u>2,015,528</u>	<u>4,564</u>	<u>-</u>	<u>-</u>	<u>2,020,092</u>
Total Liabilities	<u>171,320</u>	<u>2,611,698</u>	<u>226,637</u>	<u>18,194</u>	<u>911,476</u>	<u>3,939,325</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Changes in the net pension liability (Note 6)	<u>69,765</u>	<u>70,386</u>	<u>57,164</u>	<u>10,012</u>	<u>159,055</u>	<u>366,382</u>
Total Deferred Inflows of Resources	<u>69,765</u>	<u>70,386</u>	<u>57,164</u>	<u>10,012</u>	<u>159,055</u>	<u>366,382</u>
<u>NET POSITION</u>						
Net investment in capital assets	21,246,076	17,894,151	12,584,187	600,632	19,060	52,344,106
Restricted for:						
Capital outlay	72	13,688	32,856	-	1,499	48,115
Debt service	-	445,936	-	-	-	445,936
Unrestricted	<u>7,401,863</u>	<u>2,209,812</u>	<u>1,615,165</u>	<u>391,579</u>	<u>1,394,832</u>	<u>13,013,251</u>
Total Net Position	<u>\$ 28,648,011</u>	<u>\$ 20,563,587</u>	<u>\$ 14,232,208</u>	<u>\$ 992,211</u>	<u>\$ 1,415,391</u>	<u>\$ 65,851,408</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2019 - COMPARATIVE TOTALS**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2019</u>
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents (Note 2)	\$ -	\$ 445,936	\$ 40,115	\$ -	\$ 6,603,634	\$ 7,089,685
Investments (Note 2)	-	-	-	-	949,189	949,189
Due (To)/From Other Fund	6,482,758	946,497	824,084	359,357	(8,612,696)	-
Accounts receivable (Note 3)	566,882	75,067	154,387	(383)	5,999	801,952
Inventory	292,304	-	1,123	-	-	293,427
Deposits and prepaid expenses	-	-	12,542	-	81,294	93,836
Total current assets	<u>7,341,944</u>	<u>1,467,500</u>	<u>1,032,251</u>	<u>358,974</u>	<u>(972,580)</u>	<u>9,228,089</u>
Restricted assets:						
Cash and cash equivalents (Note 2)	547,221	492,350	359,414	-	59,682	1,458,667
Accounts receivable (Note 3)	72	14,115	235,006	-	-	249,193
Total restricted assets	<u>547,293</u>	<u>506,465</u>	<u>594,420</u>	<u>-</u>	<u>59,682</u>	<u>1,707,860</u>
Noncurrent assets:						
Investments (Note 2)	-	-	-	-	1,646,545	1,646,545
Capital assets, net of accumulated depreciation (Note 4)	21,511,463	20,472,046	12,806,230	526,184	14,827	55,330,750
Total noncurrent assets	<u>21,511,463</u>	<u>20,472,046</u>	<u>12,806,230</u>	<u>526,184</u>	<u>1,661,372</u>	<u>56,977,295</u>
Total Assets	<u>29,400,700</u>	<u>22,446,011</u>	<u>14,432,901</u>	<u>885,158</u>	<u>748,474</u>	<u>67,913,244</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>						
Changes in the net pension liability (Note 6)	-	319,756	232,551	-	901,131	1,453,438
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 319,756</u>	<u>\$ 232,551</u>	<u>\$ -</u>	<u>\$ 901,131</u>	<u>\$ 1,453,438</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2019 (Continued) - COMPARATIVE TOTALS**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2019</u>
<u>LIABILITIES</u>						
Current liabilities						
Accounts payable and other liabilities	\$ 59,813	\$ 92,093	\$ 227,274	\$ 35,094	\$ 161,511	\$ 575,785
Accrued Liabilities	(40,560)	40,905	48,136	-	483,026	531,507
Compensated absences	72,174	72,174	32,408	11,503	221,410	409,669
Long term debt - current portion (Note 5)	<u>-</u>	<u>342,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,474</u>
Total current liabilities (payable from current assets)	<u>91,427</u>	<u>547,646</u>	<u>307,818</u>	<u>46,597</u>	<u>865,947</u>	<u>1,859,435</u>
Current liabilities (payable from restricted assets)						
Accounts payable and other liabilities	<u>-</u>	<u>28,441</u>	<u>34,062</u>	<u>-</u>	<u>-</u>	<u>62,503</u>
Total current liabilities	<u>91,427</u>	<u>576,087</u>	<u>341,880</u>	<u>46,597</u>	<u>865,947</u>	<u>1,921,938</u>
Noncurrent liabilities						
Long term debt - long term portion (Note 5)	-	2,361,586	-	-	-	2,361,586
Net pension liability (Note 6)	<u>-</u>	<u>103,755</u>	<u>75,457</u>	<u>-</u>	<u>292,396</u>	<u>471,608</u>
Total noncurrent liabilities	<u>-</u>	<u>2,465,341</u>	<u>75,457</u>	<u>-</u>	<u>292,396</u>	<u>2,833,194</u>
Total Liabilities	<u>91,427</u>	<u>3,041,428</u>	<u>417,337</u>	<u>46,597</u>	<u>1,158,343</u>	<u>4,755,132</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Changes in the net pension liability (Note 6)	<u>-</u>	<u>14,635</u>	<u>10,644</u>	<u>-</u>	<u>41,242</u>	<u>66,521</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>14,635</u>	<u>10,644</u>	<u>-</u>	<u>41,242</u>	<u>66,521</u>
<u>NET POSITION</u>						
Net investment in capital assets	21,511,462	17,767,987	12,806,230	526,184	14,827	52,626,690
Restricted for:						
Capital outlay	547,294	-	563,951	-	59,681	1,170,926
Debt service	-	445,936	-	-	-	445,936
Unrestricted	<u>7,250,517</u>	<u>1,495,781</u>	<u>867,290</u>	<u>312,377</u>	<u>375,512</u>	<u>10,301,477</u>
Total Net Position	<u>\$ 29,309,273</u>	<u>\$ 19,709,704</u>	<u>\$ 14,237,471</u>	<u>\$ 838,561</u>	<u>\$ 450,020</u>	<u>\$ 64,545,029</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2020</u>
<u>OPERATING REVENUE</u>						
Service charges	\$ 2,255,556	\$ 4,118,123	\$ -	\$ -	\$ 19,353	\$ 6,393,032
Recreation events and programs	<u>-</u>	<u>-</u>	<u>848,247</u>	<u>-</u>	<u>-</u>	<u>848,247</u>
Total operating revenues	<u>2,255,556</u>	<u>4,118,123</u>	<u>848,247</u>	<u>-</u>	<u>19,353</u>	<u>7,241,279</u>
<u>OPERATING EXPENSES</u>						
Direct operating expenses	2,250,971	1,997,427	1,313,218	390,659	3,465,418	9,417,693
Allocation of operating expenses	181,327	166,539	58,408	(406,274)	-	-
Depreciation	<u>1,262,560</u>	<u>1,012,617</u>	<u>484,004</u>	<u>99,113</u>	<u>-</u>	<u>2,858,294</u>
Total operating expenses	<u>3,694,858</u>	<u>3,176,583</u>	<u>1,855,630</u>	<u>83,498</u>	<u>3,465,418</u>	<u>12,275,987</u>
OPERATING INCOME (LOSS)	<u>(1,439,302)</u>	<u>941,540</u>	<u>(1,007,383)</u>	<u>(83,498)</u>	<u>(3,446,065)</u>	<u>(5,034,708)</u>
<u>NONOPERATING REVENUE (EXPENSE)</u>						
Property tax revenue/CFD 94-1	818,000	-	922,653	243,000	4,325,283	6,308,936
Investment income	-	-	1,604	-	235,667	237,271
Grants	-	2,410	112,249	-	1,499	116,158
Miscellaneous revenues	903	44,080	-	-	23,985	68,968
Interest Expense	-	(101,424)	-	-	(116)	(101,540)
Other nonoperating expenses	<u>(40,863)</u>	<u>(32,723)</u>	<u>(36,045)</u>	<u>(5,852)</u>	<u>(174,882)</u>	<u>(290,365)</u>
Total nonoperating revenue (expense), net	<u>778,040</u>	<u>(87,657)</u>	<u>1,000,461</u>	<u>237,148</u>	<u>4,411,436</u>	<u>6,339,428</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(661,262)</u>	<u>853,883</u>	<u>(6,922)</u>	<u>153,650</u>	<u>965,371</u>	<u>1,304,720</u>
<u>CAPITAL CONTRIBUTIONS</u>						
Capital contributions - infrastructure	<u>-</u>	<u>-</u>	<u>1,659</u>	<u>-</u>	<u>-</u>	<u>1,659</u>
CHANGE IN NET POSITION	<u>(661,262)</u>	<u>853,883</u>	<u>(5,263)</u>	<u>153,650</u>	<u>965,371</u>	<u>1,306,379</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>29,309,273</u>	<u>19,709,704</u>	<u>14,237,471</u>	<u>838,561</u>	<u>450,020</u>	<u>64,545,029</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 28,648,011</u>	<u>\$ 20,563,587</u>	<u>\$ 14,232,208</u>	<u>\$ 992,211</u>	<u>\$ 1,415,391</u>	<u>\$ 65,851,408</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019 - COMPARATIVE TOTALS**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2019</u>
<u>OPERATING REVENUE</u>						
Service charges	\$ 1,499,383	\$ 3,945,728	\$ -	\$ -	\$ 49,270	\$ 5,494,381
Recreation events and programs	-	-	849,141	-	-	849,141
Total operating revenues	<u>1,499,383</u>	<u>3,945,728</u>	<u>849,141</u>	<u>-</u>	<u>49,270</u>	<u>6,343,522</u>
<u>OPERATING EXPENSES</u>						
Direct operating expenses	2,438,418	1,793,346	1,009,808	370,494	3,511,477	9,123,543
Allocation of operating expenses	1,731,396	1,470,261	719,161	(437,793)	(3,483,025)	-
Depreciation	<u>1,266,627</u>	<u>962,303</u>	<u>486,617</u>	<u>72,147</u>	<u>-</u>	<u>2,787,694</u>
Total operating expenses	<u>5,436,441</u>	<u>4,225,910</u>	<u>2,215,586</u>	<u>4,848</u>	<u>28,452</u>	<u>11,911,237</u>
OPERATING INCOME (LOSS)	<u>(3,937,058)</u>	<u>(280,182)</u>	<u>(1,366,445)</u>	<u>(4,848)</u>	<u>20,818</u>	<u>(5,567,715)</u>
<u>NONOPERATING REVENUE (EXPENSE)</u>						
Property tax revenue/CFD 94-1	5,380,038	-	650,838	-	-	6,030,876
Investment income	94,517	-	1,242	-	108,919	204,678
Grants	(12,126)	52,406	591,872	-	-	632,152
Miscellaneous revenues	16,206	27,179	2,535	-	33,701	79,621
Interest Expense	-	(97,594)	-	-	-	(97,594)
Other nonoperating expenses	<u>(76,383)</u>	<u>-</u>	<u>(6,361)</u>	<u>-</u>	<u>-</u>	<u>(82,744)</u>
Total nonoperating revenues (expenses), net	<u>5,402,252</u>	<u>(18,009)</u>	<u>1,240,126</u>	<u>-</u>	<u>142,620</u>	<u>6,766,989</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>1,465,194</u>	<u>(298,191)</u>	<u>(126,319)</u>	<u>(4,848)</u>	<u>163,438</u>	<u>1,199,274</u>
<u>CAPITAL CONTRIBUTIONS</u>						
Capital contributions - infrastructure	<u>12,469</u>	<u>34,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,079</u>
CHANGE IN NET POSITION	<u>1,477,663</u>	<u>(263,581)</u>	<u>(126,319)</u>	<u>(4,848)</u>	<u>163,438</u>	<u>1,246,353</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>27,831,610</u>	<u>19,973,285</u>	<u>14,363,790</u>	<u>843,409</u>	<u>286,582</u>	<u>63,298,676</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 29,309,273</u>	<u>\$ 19,709,704</u>	<u>\$ 14,237,471</u>	<u>\$ 838,561</u>	<u>\$ 450,020</u>	<u>\$ 64,545,029</u>

See accompanying notes to the basic financial statements.

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

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>							
Receipts from customers	\$ 2,876,904	\$ 4,079,922	\$ 1,157,610	\$ -	\$ 42,049	\$ 8,156,485	\$ 6,243,471
Payments to suppliers	(766,433)	(708,863)	(536,513)	(207,705)	(1,035,507)	(3,255,021)	(4,707,601)
Payments to employees	(1,350,103)	(1,224,340)	(981,735)	(211,359)	(2,544,965)	(6,312,502)	(4,374,713)
Payments (to) from other funds	<u>(181,327)</u>	<u>(166,539)</u>	<u>(58,408)</u>	<u>406,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>579,041</u>	<u>1,980,180</u>	<u>(419,046)</u>	<u>(12,790)</u>	<u>(3,538,423)</u>	<u>(1,411,038)</u>	<u>(2,838,843)</u>
<u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u>							
Property tax collected	818,000	-	922,653	243,000	4,325,283	5,143,283	5,961,567
Advances (to) from other funds	(907,128)	(1,230,844)	(645,039)	(56,650)	2,212,964	(626,697)	-
Change in property tax receivable	-	-	(12,737)	-	(679,123)	(691,860)	-
Other nonoperating revenues	903	-	-	-	25,484	26,387	-
Other nonoperating expenses	<u>(40,863)</u>	<u>-</u>	<u>(36,044)</u>	<u>-</u>	<u>(150,897)</u>	<u>(227,804)</u>	<u>(3,120)</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>(129,088)</u>	<u>(1,230,844)</u>	<u>228,833</u>	<u>186,350</u>	<u>5,733,711</u>	<u>3,623,309</u>	<u>5,958,447</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>							
Acquisition of capital assets	(997,174)	(796,308)	(260,302)	(173,560)	(4,233)	(2,231,577)	(3,381,198)
Capital grants received	-	-	112,249	-	-	112,249	452,433
Repayment of debt	-	(342,474)	-	-	-	(342,474)	(329,337)
Interest paid on notes payable	-	(101,424)	-	-	(116)	(101,540)	(97,594)
Contributed capital	<u>-</u>	<u>-</u>	<u>1,659</u>	<u>-</u>	<u>-</u>	<u>1,659</u>	<u>143,516</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(997,174)</u>	<u>(1,240,206)</u>	<u>(146,394)</u>	<u>(173,560)</u>	<u>(4,349)</u>	<u>(2,561,683)</u>	<u>(3,212,180)</u>

See accompanying notes to the basic financial statements.

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

<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>2020</u>	<u>2019</u>
Investment earnings	-	-	1,604	-	-	1,604	204,678
Purchase of investments	-	-	-	-	(1,239,351)	(1,239,351)	-
Proceeds from sale of investments	-	-	-	-	500,000	500,000	61,548
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	-	-	1,604	-	(739,351)	(737,747)	266,226
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(547,221)	(490,870)	(335,003)	-	1,451,588	(1,087,159)	173,650
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	547,221	938,286	399,529	-	6,663,316	8,548,352	8,374,702
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ 447,416	\$ 64,526	\$ -	\$ 8,114,904	\$ 7,461,193	\$ 8,548,352

See accompanying notes to the basic financial statements.

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

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>2020</u>	<u>2019</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</u>							
Unrestricted cash and cash equivalents	\$ -	\$ 447,416	\$ 64,526	\$ -	\$ 8,114,904	\$ 8,626,846	\$ 7,089,685
Restricted cash and cash equivalents	-	-	-	-	-	-	1,458,667
TOTAL CASH AND CASH EQUIVALENTS	\$ -	\$ 447,416	\$ 64,526	\$ -	\$ 8,114,904	\$ 8,626,846	\$ 8,548,352
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>							
Operating income (loss)	\$ (1,439,302)	\$ 941,540	\$ (1,007,383)	\$ (83,498)	\$ (3,446,065)	\$ (5,034,708)	\$ (5,664,153)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:							
Depreciation	1,262,560	1,012,617	484,004	99,113	-	2,858,294	2,787,694
Net change in deferred outflows and inflows	69,765	117,545	96,420	-	336,817	620,547	(400,280)
Decrease (Increase) in accounts receivable	591,253	(12,982)	203,662	-	22,696	804,629	(3,614)
Decrease (Increase) in inventory	14,872	-	(5,049)	-	-	9,823	12,494
(Increase) Decrease in other assets	-	-	-	-	(205,004)	(205,004)	42,352
Increase (Decrease) in accounts payable	4,619	12,612	(202,758)	(31,487)	463,168	246,154	340,277
Increase in compensated absences	34,714	34,714	12,766	3,082	65,387	150,663	79,766
(Decrease) Increase in other liabilities	40,560	(40,905)	(48,136)	-	(483,026)	(531,507)	8,114
Increase (Decrease) in deferred revenue	-	-	118,321	-	-	118,321	-
Increase (Decrease) in net pension liability	-	(84,961)	(70,893)	-	(292,396)	(448,250)	(41,493)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 579,041	\$ 1,980,180	\$ (419,046)	\$ (12,790)	\$ (3,538,423)	\$ (1,411,038)	\$ (2,838,843)

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North Tahoe Public Utility District (the "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 street lighting. 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.

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's Board of Directors. Management has determined the District to be a single reporting entity for financial reporting purposes by applying the criteria set forth in Statement of Governmental Accounting Standards No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This criteria requires the reporting entity to have a separate elected governing body, that it be a legal separate entity and fiscally independent. Based on the foregoing criteria, the District has included in these financial statements the North Tahoe Building Corporation (the "Corporation"), a California nonprofit public benefit corporation. 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 and water systems. See Note 5 for description of debt outstanding. Separate financial statements for the Corporation 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.

B. Estimates

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

C. Measurement Focus, Basis of Accounting and Presentation

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

Measurement Focus

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

Basis of Accounting

The North Tahoe Public Utility District follows the enterprise method of accounting practices and reporting methods approved for special-purpose districts. An enterprise type fund is a proprietary fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses excluding depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

The District reports 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

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District's provision of recreation related services, including the Event Center. Interfund activity between these funds has been eliminated in the financial statement presentation. Also presented on the basic financial statements are allocations from each major fund to the District's fleet and general and administrative costs.

D. Budget

The District prepares an annual operating budget which is approved and adopted by the Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California State law does not require formal adoption of appropriated budgets for enterprise funds.

E. Cash and Cash Equivalents

The District considers cash and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The District's cash and cash equivalents consist of cash, deposits in financial institutions, certificates of deposit, savings and cash with fiscal agents (including restricted assets). Cash and cash equivalents invested for specific requirements, such as deposits for construction projects, are segregated as restricted cash and cash equivalents.

F. Investments

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Fair Value Inputs, Methodologies, and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the assets. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 - Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that are accessible to the District.

Level 2 - Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs.)

Level 3 - Unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including the District's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accounts Receivable

Accounts receivable represent service charges and other revenues billed and uncollected at year-end, along with amounts accrued for items billed after year-end for service periods before year-end. Each year the District records liens for delinquent charges and collects through the property tax bill for active accounts, and pursues full-collection for closed accounts with unpaid balances. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

I. Inventory

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

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 case of gifts or contributions. Maintenance and repairs are charged to expense as incurred and replacements which improve or extend the lives of property are capitalized.

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

	<u>Years</u>
Water and Sewer System	30 - 50
Buildings	30 - 50
Building and Park Improvements	10 - 25
Furniture and Equipment	5 - 15
Vehicles	7

K. Compensated Absences

The District has accrued a liability for vacation and sick pay which has been earned but not taken by District employees. 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 once the District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered, the obligation relates to rights that vest or accumulate, payment of the compensation is probable, and the amount can reasonably be estimated.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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. Plan investments are reported at fair value.

CalPERS	June 30, 2020	June 30, 2019
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Measurement period	July 1, 2018 and June 30, 2019	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

M. Capital Contributions

Capital contributions are assets contributed by Special Assessment Districts or real estate developers.

N. Operating and Non-operating Revenues

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 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.

O. Property taxes

Taxes are levied on November 1st and February 1st and are due and payable at that time. Unpaid property taxes are attached as an enforceable lien on property as of March 1st. Property tax revenues are recognized in the fiscal period for which they are levied and in which they become available. The District relies upon the competency of Placer County for assessing the property tax and establishing a lien date, and for billing, collecting and distributing its share of the property tax revenue.

P. Restricted Resources

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

Q. Deferred Outflows and Inflows of Resources

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

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

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Net Position

Net position represents the difference between all other elements in the statement of net position and is displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

S. 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.

T. Comparative Information and Reclassifications

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

U. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2019, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 88

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this statement is to clarify which liabilities governments should include in their note disclosures related to debt. GASB is requiring debt borrowings and direct placements to be presented separately because they may expose a government to risks that are different from, or in addition to, risks related to other types of debt. The new standard also requires the disclosure of additional essential debt-related information for all types of debt, including amounts of unused lines of credit and assets pledged as collateral for debt. Also required to be disclosed are terms specified in debt agreements related to: (1) significant events of default with finance-related consequences, (2) significant termination events with finance-related consequences, (3) significant subjective acceleration clauses. Application of this statement has had no material impact on District's financial statements for the fiscal year ending June 30, 2020.

Government Accounting Standards Board Statement No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The District adopted this accounting guidance for its June 30, 2020 year-end.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2020 or later and may be applicable for the District. However, the District has not determined what impact, if any, these pronouncements will have on the financial statements.

Government Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the District's fiscal year ending June 30, 2022. The District has not determined what impact, if any, this pronouncement will have on the financial statements.

Government Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interests reported as an investment and majority equity interest reported as a component unit of the governmental entity. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2021.

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The purpose of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
<u>Cash and cash equivalents:</u>		
Unrestricted:		
Cash on hand	\$ 1,300	\$ -
Unrestricted deposits in financial institutions	3,012,385	3,082,081
Deposits in Local Agency Investment Fund (LAIF)	5,613,161	4,007,604
Total unrestricted cash and cash equivalents	8,626,846	7,089,685
Restricted:		
Restricted for debt service payment	-	492,350
Restricted for capital outlay	-	966,317
Total restricted cash and cash equivalents	-	1,458,667
Total cash and cash equivalents	\$ 8,626,846	\$ 8,548,352
<u>Investments:</u>		
Unrestricted:		
U.S. government securities	\$ 73	\$ 327,587
Mutual funds	24,445	-
Certificates of deposit	3,499,553	2,268,147
Total investments	\$ 3,524,071	\$ 2,595,734

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

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.

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.

Interest Rate Risk

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

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

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2: CASH AND INVESTMENTS (continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2020:

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
Mutual funds	\$ 24,445	\$ 24,445	\$ -	\$ -
U.S. government securities	73	-	73	-
Certificates of deposit	3,499,553	1,471,000	1,515,704	512,849
	<u>\$ 3,524,071</u>	<u>\$ 1,495,445</u>	<u>\$ 1,515,777</u>	<u>\$ 512,849</u>

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

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
U.S. government securities	\$ 327,587	\$ 327,587	\$ -	\$ -
Certificates of deposit	2,268,147	621,602	1,547,433	99,112
	<u>\$ 2,595,734</u>	<u>\$ 949,189</u>	<u>\$ 1,547,433</u>	<u>\$ 99,112</u>

Concentration of Credit Risk

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

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's Investment Policy requires the financial institution to either collateralize the deposits or cover them with Federal deposit insurance. The District's cash and deposits in financial institutions, totaling \$3,034,350 as of June 30, 2020, are secured by federal depository insurance for \$250,000 with the remainder covered by collateral held by an agent of the pledging bank in the District's name.

Pooled Investment Funds

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF which are recorded on an amortized cost basis.

Investment Valuation

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

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2: CASH AND INVESTMENTS (continued)

The following table set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government securities	\$ -	\$ 73	\$ -	\$ 73
Mutual funds	24,445	-	-	24,445
Certificates of deposit	-	3,499,553	-	3,499,553
Total investments at fair value	<u>\$ 24,445</u>	<u>\$ 3,499,626</u>	<u>\$ -</u>	<u>\$ 3,524,071</u>

The following table set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government securities	\$ -	\$ 327,587	\$ -	\$ 327,587
Certificates of deposit	-	2,268,147	-	2,268,147
Total investments at fair value	<u>\$ -</u>	<u>\$ 2,595,734</u>	<u>\$ -</u>	<u>\$ 2,595,734</u>

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable, presented as current assets as of June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Service charges	\$ 734,023	\$ 56,214
Property tax	744,721	651,066
Other	60,730	94,672
	<u>\$ 1,539,474</u>	<u>\$ 801,952</u>

Accounts receivable, restricted as of June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Grants	<u>\$ 57,508</u>	<u>\$ 249,193</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Capital assets not being depreciated					
Land and property rights	\$ 7,138,594	\$ 11	\$ -	\$ -	\$ 7,138,605
Construction in progress	<u>2,857,177</u>	<u>1,647,524</u>	<u>-</u>	<u>(4,014,771)</u>	<u>489,930</u>
Total capital assets not being depreciated	<u>9,995,771</u>	<u>1,647,535</u>	<u>-</u>	<u>(4,014,771)</u>	<u>7,628,535</u>
Capital assets being depreciated					
Building and improvements	22,944,655	140,361	-	20,555	23,105,571
Sewer system	36,455,905	14,829	-	709,489	37,180,223
Water system	34,182,237	33,644	-	2,739,861	36,955,742
Vehicles and equipment	7,236,191	362,283	-	-	7,598,474
Furniture and office equipment	<u>1,077,200</u>	<u>34,584</u>	<u>-</u>	<u>544,866</u>	<u>1,656,650</u>
Less accumulated depreciation	<u>(56,561,209)</u>	<u>(2,858,294)</u>	<u>-</u>	<u>-</u>	<u>(59,419,503)</u>
Total capital assets being depreciated, net	<u>45,334,979</u>	<u>(2,272,593)</u>	<u>-</u>	<u>4,014,771</u>	<u>47,077,157</u>
Capital assets, net	<u>\$ 55,330,750</u>	<u>\$ (625,058)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,705,692</u>

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Capital assets not being depreciated					
Land and property rights	\$ 7,138,594	\$ -	\$ -	\$ -	\$ 7,138,594
Construction in progress	<u>3,426,503</u>	<u>2,506,337</u>	<u>-</u>	<u>(3,075,663)</u>	<u>2,857,177</u>
Total capital assets not being depreciated	<u>10,565,097</u>	<u>2,506,337</u>	<u>-</u>	<u>(3,075,663)</u>	<u>9,995,771</u>
Capital assets being depreciated					
Building and improvements	22,925,345	-	-	19,310	22,944,655
Sewer system	33,492,901	-	-	2,963,004	36,455,905
Water system	34,054,953	112,104	-	15,180	34,182,237
Vehicles and equipment	6,982,228	175,794	-	78,169	7,236,191
Furniture and office equipment	<u>1,042,726</u>	<u>34,474</u>	<u>-</u>	<u>-</u>	<u>1,077,200</u>
Less accumulated depreciation	<u>(53,773,515)</u>	<u>(2,787,694)</u>	<u>-</u>	<u>-</u>	<u>(56,561,209)</u>
Total capital assets being depreciated, net	<u>44,724,638</u>	<u>(2,465,322)</u>	<u>-</u>	<u>3,075,663</u>	<u>45,334,979</u>
Capital assets, net	<u>\$ 55,289,735</u>	<u>\$ 41,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,330,750</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 4: CAPITAL ASSETS (continued)

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

<u>Fund</u>	<u>Project Description</u>		
Sewer	N-1 Station Rehabilitation	\$	134,417
Sewer	Easement Clearing		15,105
Sewer	Pump Station Rehab		46,730
Water	Kingswood West Tank Rehabilitation		180,135
Water	NAWTP SCADA Improvements - Phase 3		7,700
Water	Plaza Circle Water Main		1,812
Water	Carnelian to Watson Creek Water Main		16,726
Recreation	Regional Park Signage		66,767
Recreation	Forest Fuels Reduction		16,320
General Administration	Emergency Power Distribution		<u>4,218</u>
		<u>\$</u>	<u>489,930</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was charged to the enterprise activities as follows:

	<u>2020</u>	<u>2019</u>
Sewer	\$ 1,262,560	\$ 1,266,627
Water	1,012,617	962,303
Recreation	484,004	486,617
Fleet Allocation	<u>99,113</u>	<u>72,147</u>
	<u>\$ 2,858,294</u>	<u>\$ 2,787,694</u>

NOTE 5: LONG TERM LIABILITIES

A summary of long-term liability activity for the years ended June 30, 2020 and 2019 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Installment Note - June 30, 2020	\$ 2,704,060	\$ -	\$ (342,474)	\$ 2,361,586	\$ 356,136
Installment Note - June 30, 2019	3,033,397	-	(329,337)	2,704,060	342,474

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. 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. Total interest incurred during the years ended June 30, 2020 and 2019 was \$101,540 and \$97,594, respectively. All interest during both years was expensed. Loan is collateralized by the asset described.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 5: LONG TERM LIABILITIES (continued)

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

Years ending June 30,	Principal	Interest	Total
2021	\$ 356,136	\$ 89,800	\$ 445,936
2022	370,342	75,594	445,936
2023	385,115	60,821	445,936
2024	400,477	45,459	445,936
2025	416,452	29,484	445,936
Thereafter	<u>433,064</u>	<u>12,871</u>	<u>445,935</u>
	<u>\$ 2,361,586</u>	<u>\$ 314,029</u>	<u>\$ 2,675,615</u>

NOTE 6: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members and PEPRM Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRM 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 rate plan's provisions and benefits in effect at June 30, 2020 and 2019, are summarized as follows:

	<u>Miscellaneous Plan</u>	
	<u>Hired prior to January 1, 2013</u>	<u>Hired on or after January 1, 2013</u>
Benefit Formula	2.0% at 55	2.0% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50	52
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rate	6.906% as of June 30, 2020 and 8.892% as of June 30, 2019	6.750% as of June 30, 2020 and 6.842% as of June 30, 2019
Required Employer Contribution Rate	10.694%	7.336%

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 6: PENSION PLAN (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the year ended June 30, 2020 and 2019 were \$331,781 and \$900,841, respectively. Contribution in prior year ended June 30, 2019 includes additional payments on District's unfunded liability.

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

As of June 30, 2020 and 2019, the District reported a net pension liability of \$14,642 and \$471,608, respectively, for its proportionate share of the net pension liability of the Plan.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability of the Plan as of the measurement date June 30, 2019 was as follows:

Proportion - June 30, 2018	0.01251 %
Proportion - June 30, 2019	<u>0.00037 %</u>
Change - decrease	<u>(0.01214)%</u>

The District's proportionate share of the net pension liability of the Plan as of the measurement date June 2018 was as follows:

Proportion - June 30, 2017	0.01302 %
Proportion - June 30, 2018	<u>0.01251 %</u>
Change - decrease	<u>(0.00051)%</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 6: PENSION PLAN (continued)

For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$175,255 and \$459,068, respectively. Pension expense is comprised of various elements including service cost, interest, changes in benefit terms, investment experience, and amortization of deferred outflows and inflows of resources, which are all factors used by the actuaries in the calculation of net pension liability.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 331,781	\$ -
Adjustment due to differences in proportions	60,836	320,902
Difference between actual and expected experience	136,537	-
Changes in assumptions	48,423	21,362
Difference between actual and required contributions	543,501	-
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>24,118</u>
Total	<u>\$ 1,121,078</u>	<u>\$ 366,382</u>

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 900,841	\$ -
Adjustment due to differences in proportions	102,407	33,290
Difference between actual and expected experience	100,596	-
Changes in assumptions	108,956	33,231
Difference between actual and required contributions	174,747	-
Net difference between projected and actual earning on plan investments	<u>65,891</u>	<u>-</u>
Total	<u>\$ 1,453,438</u>	<u>\$ 66,521</u>

\$331,781 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30,</u>		
2021	\$	250,335
2022		112,371
2023		53,413
2024		6,796

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 6: PENSION PLAN (continued)

Actuarial Assumptions

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applied, 2.50% thereafter

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

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions

During the measurement period ended June 30 2018, demographic assumptions, investment rate of return, and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Discount Rate

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

Long-term Expected Rate of Return

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

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

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 6: PENSION PLAN (continued)

The table below reflects long-term expected real rate of return by asset class as of June 30, 2020 and 2019. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

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

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

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

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

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

At June 30, 2020 the discount rate comparison was the following:

	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
Net pension liability	\$920,289	\$14,642	\$(732,905)

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

	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
Net pension liability	\$1,192,718	\$471,608	\$(123,656)

Pension Plan Fiduciary Net Position

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

NOTE 7: 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).

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8: 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 unscheduled contractor's equipment, scheduled equipment, and rented equipment.

The District purchases general liability and management liability insurance coverage up to policy term aggregate limits of \$10 million each subject to various sub-policy limits, generally \$1 million for various activities. The District also maintains insurance coverage related to employee dishonesty and crime of \$10 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 million.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District has entered into design and construction commitments totaling \$1,849,162 and \$3,013,979 for years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 the amount earned on the contracts was \$292,198 with a remaining balance of \$1,556,964. As of June 30, 2019, the amount earned on contracts was \$2,738,549 with a remaining balance of \$275,430.

Litigation

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

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

Public Health Emergency

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

NOTE 10: JOINT POWERS AUTHORITY

The District is a member of a joint powers authority, Special District Risk Management Authority (SDRMA), for the operation of a common risk management and insurance program. The program covers workers' compensation and medical, dental, and vision coverage. SDRMA is governed by a Board of Directors consisting of representatives from member agencies, which controls the operations of the SDRMA, including selection of management and approval of operating budgets.

The following is a summary of the most current audited financial information for SDRMA as of June 30, 2019 (the most recent information available):

Total assets	\$ 117,948,397
Total liabilities	61,583,834
Net assets	56,364,563
Total income	75,858,836
Total expense	74,079,006

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 10: JOINT POWERS AUTHORITY (continued)

The relationships between North Tahoe Public Utility District and the joint powers authorities are such that SDRMA is not considered a component unit of the District for financial reporting purposes.

NOTE 11: 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.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2020 through February 2, 2021, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2020
LAST 10 YEARS ***

	Measurement Period					
	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.00014 %	0.00489 %	0.00517 %	0.00411 %	0.00327 %	0.00453 %
Proportionate share of the net pension liability	\$ 14,642	\$ 471,608	\$ 513,101	\$ 355,920	\$ 224,584	\$ 285,489
Covered payroll	\$ 3,338,200	\$ 3,512,806	\$ 3,315,324	\$ 2,891,320	\$ 2,950,176	\$ 2,794,438
Proportionate share of the net pension liability as a percentage of covered payroll	0.44 %	13.43 %	15.48 %	12.31 %	7.61 %	10.22 %
Plan fiduciary net position as a percentage of the total pension liability	99.78 %	91.15 %	87.37 %	88.59 %	90.71 %	83.03 %

Notes to Schedule:

For the measurement period ended June 30, 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, the discount rate remained at 7.65 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50 percent discount rate.

*Schedule is intended to show information for ten years. Fiscal year 2014 was the first year of implementation, therefore, only six years are shown.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2020
LAST 10 YEARS ***

	Fiscal Year-End					
	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 331,781	\$ 313,767	\$ 307,059	\$ 262,942	\$ 301,229	\$ 284,446
Contributions in relation to the actuarially determined contributions	<u>(331,781)</u>	<u>(883,562)</u>	<u>(298,327)</u>	<u>(267,180)</u>	<u>(301,229)</u>	<u>(284,446)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (569,795)</u>	<u>\$ 8,732</u>	<u>\$ (4,238)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,811,416	\$ 3,338,200	\$ 3,512,806	\$ 3,315,324	\$ 2,891,320	\$ 2,950,176
Contributions as a percentage of covered payroll	8.70 %	9.40 %	8.74 %	7.93 %	10.42 %	9.64 %

Notes to Schedule:

*Fiscal year 2015 was first year of implementation, therefore only six years are shown.

Supplementary Information

**NORTH TAHOE PUBLIC UTILITY DISTRICT
COMPARISON OF BUDGET TO ACTUAL
June 30, 2020**

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Positive (Negative) Variance With Budget</u>
Revenues:				
Service charges	\$ 6,105,134	\$ 6,105,134	\$ 6,393,032	\$ 287,898
Recreation events and programs	910,400	910,400	848,247	(62,153)
Property taxes/CFD 94-1	5,959,400	5,959,400	6,308,936	349,536
Investment income	50,000	50,000	237,271	187,271
Grants	75,000	260,500	116,158	(144,342)
Miscellaneous	32,500	32,500	68,968	36,468
Capital contributions	-	-	1,659	1,659
	<u>\$ 13,132,434</u>	<u>\$ 13,317,934</u>	<u>\$ 13,974,271</u>	<u>\$ 656,337</u>
Expenses:				
Direct operating expenses	9,827,655	9,827,655	9,417,693	409,962
Administration and general	84,000	84,000	406,274	(322,274)
Depreciation	3,178,011	3,178,011	2,858,294	319,717
Interest expense	98,952	98,952	101,540	(2,588)
Other nonoperating expenses	<u>90,500</u>	<u>240,500</u>	<u>290,365</u>	<u>49,865</u>
	<u>13,279,118</u>	<u>13,429,118</u>	<u>13,074,166</u>	<u>454,682</u>
Total Positive(Negative) Variance	<u>\$ 13,279,118</u>	<u>\$ 13,429,118</u>	<u>\$ 13,075,825</u>	<u>\$ 456,341</u>

Other Reports



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the North Tahoe Public Utility District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 2, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mann, Urvutia, Nelson CPAs

Sacramento, California
February 2, 2021