



NORTH TAHOE PUBLIC UTILITY DISTRICT

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

JUNE 30, 2023 AND 2022

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**NORTH TAHOE PUBLIC UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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 years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of North Tahoe Public Utility District as of June 30, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Notes 1, 4, 5, and 12 to the financial statements, during the fiscal year ending June 30, 2023, the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules related to the District's net pension liability 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.

Supplementary Information

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

Other 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 November 30, 2023, 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.

MUN CPAs, LLP

Sacramento, California
November 30, 2023

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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, 2023. Please read it in conjunction with NTPUD's financial statements, which follow this section.

The annual report includes the 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.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT:

The District's Current Assets increased by \$1,903,303 from \$15,141,487 to \$17,044,790. Restricted Assets remained unchanged at \$6,000. Non-Current Investments decreased by \$498,269 from \$1,284,468 to \$786,199. Capital Assets net of Accumulated Depreciation increased by \$6,819,270, from \$59,631,111 to \$66,450,381. As a result of the GASB 68 adjustments, net pension assets decreased from \$1,023,760 to \$0. Deferred Pension Outflows increased \$322,991 from \$1,187,215 to \$1,510,206. The District's Total Assets and Deferred Outflows increased by \$7,523,535 to \$85,797,576.

The District's Current Liabilities (Unrestricted) increased by \$3,030,984 from \$2,573,868 to \$5,604,852. Noncurrent Liabilities from long term debt decreased by \$327,359 from \$1,387,851 to \$1,060,492. The Net Pension Liability increased to \$324,699 from \$0 in the prior year. Deferred Pension Inflows decreased \$966,192 from \$1,068,788 to \$102,596.

The Net Investment in Capital Assets increased by \$7,083,748 as additions of new Capital Assets exceeded depreciation and the related matured portion of capital debt repaid. Unrestricted Net Position (Undesignated) decreased by \$422,293 from \$12,392,348 to \$11,970,055. Total Net Position increased by \$5,461,403 from \$73,243,534 to \$78,704,937.

Operating Revenues increased by \$515,395 from \$9,351,169 to \$9,866,564. Total Operating Expenses increased \$2,102,102 from \$12,868,284 to \$14,970,386. Property Tax revenue of \$7,658,352 is \$660,224 more than the prior year. Investment income increased by \$299,807 from a loss of \$72,387 to \$227,420. Grant Revenue increased by \$2,024,896 from \$457,972 to \$2,482,868.

FINANCIAL HIGHLIGHTS - SEWER FUND:

Current Assets (not restricted) increased by \$227,876 from \$2,344,848 to \$2,572,724. Net Capital Assets decreased by \$354,468 from \$23,706,951 to \$23,352,483 as additions to Capital Assets (including transfers from Construction in Progress) resulted in net additions less than the increase in Accumulated Depreciation. The Net Pension Assets decreased to \$0 from \$308,198 in prior year.

Current Liabilities (Payable from Current Assets) decreased by \$306,500 from \$543,259 to \$236,759. Deferred Pension Inflows decreased by \$181,726 from \$205,844 to \$24,118. The amount of Unrestricted Net Position increased by \$523,228 from \$1,903,943 to \$2,427,171. Total Net Position increased by \$168,760 from \$25,610,894 to \$25,779,654.

Operating Revenues increased by \$312,341 from \$3,846,827 to \$4,159,168. Total Operating Expenses of \$4,014,153 were \$438,028 more than prior year. Property Tax revenue was not allocated to the Sewer Fund in fiscal year 2023 compared to \$938,000 allocated in the prior year. Miscellaneous revenue increased \$27,717 from prior year due to proceeds from salvage sale.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FINANCIAL HIGHLIGHTS - WATER FUND:

Current Assets increased by \$1,463,423 from \$3,339,915 to \$4,803,338. Capital Assets net of Accumulated Depreciation increased by \$5,236,424 from \$20,696,141 to \$25,932,565. Deferred Pension Outflows increased by \$63,542 from \$273,870 to \$337,412.

Current Liabilities (Payable from Current Assets) increased by \$1,616,394 from \$709,793 to \$2,326,187. The Long-Term debt portion of Noncurrent Liabilities decreased by \$400,477 from \$1,249,993 to \$849,516, which is the result of the annual principal payments on the debt. The Net Pension Liability portion of Noncurrent Liabilities increased to \$53,716 from \$0 in the prior year. The Deferred Pension Inflows decreased \$190,079 from \$226,516 to \$36,437. The amount of Net Position that is Unrestricted decreased by \$149,269 from \$2,828,220 to \$2,678,951. Total Net Position increased by \$5,472,270 bringing the balance from \$22,335,189 to \$27,807,459.

Operating Revenues decreased \$54,403 from \$4,430,645 to \$4,376,242. Total Operating Expenses increased by \$435,433 from \$3,522,186 to \$3,957,619. Property Tax Revenue Allocation increased \$3,050,000 from \$0 in the prior year. Grant Revenue increased to \$1,849,587 from \$0 in the prior year.

FINANCIAL HIGHLIGHTS - RECREATION FUND:

Current Assets increased by \$1,121,323 from \$1,876,663 to \$2,997,986. Capital Assets net of Accumulated Depreciation increased by \$1,715,167 from \$14,212,405 to \$15,927,572. Deferred Pension Outflows of Resources increased by \$47,493 from \$190,879 to \$238,372.

Current Liabilities (Payable from Current Assets) increased by \$1,453,973 from \$356,143 to \$1,810,116. The Net Pension Liability classified as Noncurrent Liabilities increased by \$49,076 from \$0 in the prior year. Deferred Inflows of Resources from Pension decreased by \$142,072 from \$161,202 to \$19,130. The amount of Net Position that is Unrestricted decreased by \$341,366 to close at \$1,358,036. The Total Net Position increased by \$1,373,801 from \$15,911,807 to \$17,285,608.

Recreation Events and Program Revenues of \$1,350,525 were \$242,059 higher than the prior year. Total Operating Expenses increased by \$432,916 from \$2,149,686 to \$2,582,601. The Recreation assessment, called Community Facilities District 941 (CFD 941), brought in \$1,960,509, an increase of \$292,620. Grant revenue increased by \$148,771 from \$484,510 to \$633,281.

FINANCIAL HIGHLIGHTS - FLEET FUND:

Current Assets increased by \$84,210 from \$458,488 to \$542,698. Capital Assets net of Accumulated Depreciation decreased by \$17,967 from \$636,032 to \$618,065.

Current Liabilities (Payable from Current Assets) increased by \$5,511 from \$17,767 to \$23,278. Deferred Pension Inflows decreased by \$25,080 from \$31,041 to \$5,971. The amount of Net Position that is Unrestricted increased by \$77,160 from \$455,816 to \$532,976. Total Net Position increased by \$59,193 from \$1,091,848 to \$1,151,041.

Total Operating Expenses increased by \$45,460 from \$432,205 to \$477,665. Depreciation increased \$18,287 from \$144,646 to \$162,933.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FINANCIAL HIGHLIGHTS - GENERAL, ADMINISTRATIVE & BASE FUND:

Current Assets decreased by \$993,529 from the prior year balance of \$7,121,573 to \$6,128,044. Noncurrent Investments decreased by \$498,269 from \$1,284,468 to \$786,199. Capital Assets net of Accumulated Depreciation increased by \$240,114 from \$379,582 to \$619,696. Deferred Pension Outflows of Resources increased by \$142,822 from \$722,468 to \$865,288.

Current Liabilities (Payable from Current Assets) increased by \$261,606 from \$946,906 to \$1,208,512. Net Pension Liability portion of Noncurrent Liabilities increased by \$287,624 from \$0 in the prior year. Deferred Pension Inflows decreased \$427,235 from \$444,175 to \$16,940. The amount of Net Position that is Unrestricted decreased by \$1,732,098 from \$8,094,884 to \$6,362,786. Total Net Position decreased by \$1,612,624 bringing the balance to \$6,681,175.

Total Operating Expenses increased by \$854,922 from \$3,620,283 to \$4,475,205. Property Tax in the amount of \$2,647,843 was recognized in the Fund. Investment Income increased \$298,607 from a loss of \$72,793 to \$225,814.

DUE (TO)/FROM ENTERPRISE:

The amounts due (to) or from other enterprises are as follows at June 30, 2023:

	Sewer	Water	Recreation & Parks	Fleet & Equipment	General & Administrative and Base
Due (To)/From Other Fund	\$ 2,376,721	\$ 3,012,792	\$ 2,144,929	\$ 542,698	\$ (8,077,140)

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 shortterm and longterm 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 2022/2023?" 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 nonfinancial 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, 2023**

NET POSITION:

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

Table A-1
Condensed Statement of Net Position

	Fiscal Year 6/30/2023	Fiscal Year 6/30/2022	Change in Dollars	Percent Charge
Current assets	\$ 17,044,790	\$ 15,141,487	\$ 1,903,303	13 %
Restricted assets	6,000	6,000	-	-
Investments - noncurrent portion	786,199	1,284,468	(498,269)	(39)%
Net capital assets	66,450,381	59,631,111	6,819,270	11 %
Net pension asset	-	1,023,760	(1,023,760)	100 %
Deferred pension outflows	<u>1,510,206</u>	<u>1,187,215</u>	<u>322,991</u>	<u>27 %</u>
Total assets and deferred outflows of resources	<u>85,797,576</u>	<u>78,274,041</u>	<u>7,523,535</u>	<u>10 %</u>
Current liabilities (payable from current assets)	\$ 5,604,852	\$ 2,573,868	\$ 3,030,984	118 %
Noncurrent liabilities	1,385,191	1,387,851	(2,660)	-
Deferred pension inflows	<u>102,596</u>	<u>1,068,788</u>	<u>(966,192)</u>	<u>(90)%</u>
Total liabilities and deferred inflows of resources	<u>7,092,639</u>	<u>5,030,507</u>	<u>2,062,132</u>	<u>41 %</u>
Net investment in capital assets	\$ 64,893,081	\$ 57,809,333	\$ 7,083,748	12 %
Other restricted	6,000	6,000	-	-
Restricted for debt service	445,936	445,936	-	-
Unrestricted (designated for Board reserves)	1,389,865	2,589,917	(1,200,052)	(46)%
Unrestricted (undesignated)	<u>11,970,055</u>	<u>12,392,348</u>	<u>(422,293)</u>	<u>(3)%</u>
Total net position	<u>\$ 78,704,937</u>	<u>\$ 73,243,534</u>	<u>\$ 5,461,403</u>	<u>7 %</u>

As can be seen from the table above, Net Position grew by \$5,461,403 from \$73,243,534 to \$78,704,937. The makeup of Net Position changed as Current Assets increased by \$1,903,303. Amounts invested in Capital Assets increased by \$6,819,270 or 11%. Current Liabilities offset the change by an increase of \$3,030,984. Amount Restricted for Debt Service was consistent at \$445,936. Unrestricted (Designated for Board Reserves) decreased \$1,200,052 to \$1,389,865. Unrestricted (Undesignated) balance decreased by \$422,295 from \$12,392,348 to \$11,970,055.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

REVENUES, EXPENSES AND CHANGES IN NET POSITION:

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Fiscal Year 6/30/2023</u>	<u>Fiscal Year 6/30/2022</u>	<u>Change in Dollars</u>	<u>Percent Change</u>
Operating revenues	\$ 9,866,564	\$ 9,351,169	\$ 515,395	6 %
Operating expenses	<u>14,970,386</u>	<u>12,868,284</u>	<u>2,102,102</u>	<u>16 %</u>
Net operating income (loss)	<u>(5,103,822)</u>	<u>(3,517,115)</u>	<u>(1,586,707)</u>	<u>45 %</u>
Property tax revenues	7,658,352	6,998,128	660,224	9 %
Other non-operating revenues and expenses	<u>2,769,315</u>	<u>385,014</u>	<u>2,384,301</u>	<u>619 %</u>
Non-operating revenues and expenses	<u>10,427,667</u>	<u>7,383,142</u>	<u>3,044,525</u>	<u>41 %</u>
Income before capital contributions	5,323,845	3,866,027	1,457,818	38 %
Capital contributions	<u>137,558</u>	<u>-</u>	<u>137,558</u>	<u>100 %</u>
Change in net position	5,461,403	3,866,027	1,595,376	41 %
Net position, beginning of year	<u>73,243,534</u>	<u>69,377,507</u>	<u>(1,550,695)</u>	<u>6 %</u>
Total net position, ending of year	<u>\$ 78,704,937</u>	<u>\$ 73,243,534</u>	<u>\$ 5,461,403</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 A2 above, Revenues, including Operating, Property Tax and Other, exceeded Expenses in both years, increasing Net Position. The increase in Net Position of \$5,461,403 was \$1,595,376 more than the \$3,866,027 for prior year. The Net Operating income decrease of \$1,586,707 was offset by the increase in net Non-Operating Revenues and Expenses of \$3,044,525. The increase was mainly due to Grant Revenue and Property taxes increases over prior year.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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 2023 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	\$ 9,822,027	\$ 9,866,564	\$ 44,537
Operating expenses	<u>(15,556,075)</u>	<u>(14,970,386)</u>	<u>585,689</u>
Net operating income (loss)	<u>(5,734,048)</u>	<u>(5,103,822)</u>	<u>630,226</u>
Property tax revenues	6,533,300	7,658,352	1,125,052
Other non-operating revenues and expenses	<u>771,476</u>	<u>2,769,315</u>	<u>1,997,839</u>
Non-operating revenues and expenses	<u>7,304,776</u>	<u>10,427,667</u>	<u>3,122,891</u>
(Loss)/income before capital contributions	1,570,728	5,323,845	3,753,117
Capital contributions	<u>-</u>	<u>137,558</u>	<u>137,558</u>
Change in net position	<u>\$ 1,570,728</u>	<u>\$ 5,461,403</u>	<u>\$ 3,890,675</u>

Operating Revenues of \$9,866,564 were \$44,537 over the Budget of \$9,822,027. Operating Expenses of \$14,970,386 were \$585,689 under the amount budgeted. Property Taxes, including CFD 941, and nonoperating revenues surpassed the budgeted amount by \$3,122,891. The total Change in Net Position of \$5,461,403 exceeded the budgeted amount of \$1,570,728 by \$3,890,675 primarily due to Grants received not budgeted and property tax revenue exceeding budget.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CAPITAL ASSETS:

Table A-4
Condensed Statement of Fixed Assets

	<u>Fiscal Year 6/30/2023</u>	<u>Fiscal Year 6/30/2022</u>	<u>Change in Dollars</u>	<u>Percent Change</u>
Fixed assets	\$ 125,239,184	\$ 118,108,923	\$ 7,130,261	6 %
Construction in progress	<u>9,475,866</u>	<u>6,732,475</u>	<u>2,743,391</u>	<u>41 %</u>
Total capital assets	134,715,050	124,841,398	9,873,652	8 %
Accumulated depreciation	<u>(68,658,374)</u>	<u>(65,425,597)</u>	<u>(3,232,777)</u>	<u>5 %</u>
Net capital assets	<u>\$ 66,056,676</u>	<u>\$ 59,415,801</u>	<u>\$ 6,640,875</u>	<u>11 %</u>

At the end of fiscal year 2023, the District had \$134,715,050 invested in fixed assets as shown in Table A4. The Table excludes Subscription Based Information Technology Arrangements (SBITA) implemented in fiscal year 2023. Fixed Assets grew by \$7,130,261 or 6%. Construction in Process increased by \$2,743,391. Accumulated depreciation increased \$3,232,777 compared to prior year. The result was an Net Capital Assets increase of \$6,640,875.

The District implemented GASB 96 for the accounting of Subscription Based Information Technology Arrangements (SBITA's) in fiscal year 2023. The impact to the financial statements can be found in Notes 4, 5, and 12. Table A4 above excludes the SBITA's reported in Note 4.

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 semiannually. 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 961480139 or by phone at (530) 5464212 or by email at VVanCleave@ntpud.org.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2023</u>
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents (Note 2)	\$ -	\$ 445,936	\$ 16,087	\$ -	\$ 11,326,212	\$ 11,788,235
Investments (Note 2)	-	-	-	-	1,261,720	1,261,720
Due (to)/from other funds	2,376,721	3,012,792	2,144,929	542,698	(8,077,140)	-
Accounts receivable (Note 3)	27,560	1,344,610	814,428	-	1,026,178	3,212,776
Inventory	168,443	-	-	-	-	168,443
Deposits and prepaid expenses	-	-	22,542	-	591,074	613,616
Total current assets	<u>2,572,724</u>	<u>4,803,338</u>	<u>2,997,986</u>	<u>542,698</u>	<u>6,128,044</u>	<u>17,044,790</u>
Restricted assets:						
Deposits and prepaid expenses	-	-	-	-	6,000	6,000
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Noncurrent assets:						
Investments (Note 2)	-	-	-	-	786,199	786,199
Capital assets, net of accumulated depreciation (Note 4)	23,352,483	25,932,565	15,927,572	618,065	619,696	66,450,381
Total noncurrent assets	<u>23,352,483</u>	<u>25,932,565</u>	<u>15,927,572</u>	<u>618,065</u>	<u>1,405,895</u>	<u>67,236,580</u>
Total Assets	<u>25,925,207</u>	<u>30,735,903</u>	<u>18,925,558</u>	<u>1,160,763</u>	<u>7,539,939</u>	<u>84,287,370</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Changes in the net pension liability (Note 6)	60,750	337,412	238,372	8,384	865,288	1,510,206
Total Deferred Outflows of Resources	<u>\$ 60,750</u>	<u>\$ 337,412</u>	<u>\$ 238,372</u>	<u>\$ 8,384</u>	<u>\$ 865,288</u>	<u>\$ 1,510,206</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023 (CONTINUED)**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2023</u>
<u>LIABILITIES</u>						
Current liabilities						
Accounts payable and other liabilities	\$ 105,449	\$ 1,766,811	\$ 1,153,323	\$ 2,348	\$ 785,890	\$ 3,813,821
Deferred revenue	-	-	560,896	-	-	560,896
Accrued interest payable	-	20,573	-	-	-	20,573
Compensated absences	131,310	138,326	95,897	20,930	326,291	712,754
Long term debt - current portion (Note 5)	-	400,477	-	-	96,331	496,808
	<u>236,759</u>	<u>2,326,187</u>	<u>1,810,116</u>	<u>23,278</u>	<u>1,208,512</u>	<u>5,604,852</u>
Total current liabilities (payable from current assets)						
	<u>236,759</u>	<u>2,326,187</u>	<u>1,810,116</u>	<u>23,278</u>	<u>1,208,512</u>	<u>5,604,852</u>
Noncurrent liabilities						
Long term debt, less current portion (Note 5)	-	849,516	-	-	210,976	1,060,492
Net pension liability (Note 6)	(54,574)	53,716	49,076	(11,143)	287,624	324,699
	<u>(54,574)</u>	<u>903,232</u>	<u>49,076</u>	<u>(11,143)</u>	<u>498,600</u>	<u>1,385,191</u>
Total noncurrent liabilities						
	<u>(54,574)</u>	<u>903,232</u>	<u>49,076</u>	<u>(11,143)</u>	<u>498,600</u>	<u>1,385,191</u>
Total Liabilities	<u>182,185</u>	<u>3,229,419</u>	<u>1,859,192</u>	<u>12,135</u>	<u>1,707,112</u>	<u>6,990,043</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Changes in the net pension liability (Note 6)	24,118	36,437	19,130	5,971	16,940	102,596
	<u>24,118</u>	<u>36,437</u>	<u>19,130</u>	<u>5,971</u>	<u>16,940</u>	<u>102,596</u>
Total Deferred Inflows of Resources	<u>24,118</u>	<u>36,437</u>	<u>19,130</u>	<u>5,971</u>	<u>16,940</u>	<u>102,596</u>
<u>NET POSITION</u>						
Net investment in capital assets	23,352,483	24,682,572	15,927,572	618,065	312,389	64,893,081
Restricted for:						
Other	-	-	-	-	6,000	6,000
Debt service	-	445,936	-	-	-	445,936
Unrestricted	2,427,171	2,678,951	1,358,036	532,976	6,362,786	13,359,920
	<u>2,427,171</u>	<u>2,678,951</u>	<u>1,358,036</u>	<u>532,976</u>	<u>6,362,786</u>	<u>13,359,920</u>
Total Net Position	<u>\$ 25,779,654</u>	<u>\$ 27,807,459</u>	<u>\$ 17,285,608</u>	<u>\$ 1,151,041</u>	<u>\$ 6,681,175</u>	<u>\$ 78,704,937</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>(Restated) Total 2022</u>
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents (Note 2)	\$ -	\$ 445,936	\$ 18,904	\$ -	\$ 11,850,044	\$ 12,314,884
Investments (Note 2)	-	-	-	-	600,189	600,189
Due (to)/from other funds	2,116,979	2,758,637	1,546,878	458,488	(6,880,982)	-
Accounts receivable (Note 3)	49,114	135,342	298,339	-	1,029,696	1,512,491
Inventory	178,755	-	-	-	-	178,755
Deposits and prepaid expenses	-	-	12,542	-	522,626	535,168
Total current assets	<u>2,344,848</u>	<u>3,339,915</u>	<u>1,876,663</u>	<u>458,488</u>	<u>7,121,573</u>	<u>15,141,487</u>
Restricted assets:						
Deposits and prepaid expenses	-	-	-	-	6,000	6,000
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Noncurrent assets:						
Investments (Note 2)	-	-	-	-	1,284,468	1,284,468
Capital assets, net of accumulated depreciation (Note 4)	23,706,951	20,696,141	14,212,405	636,032	379,582	59,631,111
Net pension asset (Note 6)	308,198	211,565	149,205	46,146	308,646	1,023,760
Total noncurrent assets	<u>24,015,149</u>	<u>20,907,706</u>	<u>14,361,610</u>	<u>682,178</u>	<u>1,972,696</u>	<u>61,939,339</u>
Total Assets	<u>26,359,997</u>	<u>24,247,621</u>	<u>16,238,273</u>	<u>1,140,666</u>	<u>9,100,269</u>	<u>77,086,826</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>						
Changes in the net pension liability (Note 6)	-	273,870	190,879	-	722,466	1,187,215
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 273,870</u>	<u>\$ 190,879</u>	<u>\$ -</u>	<u>\$ 722,466</u>	<u>\$ 1,187,215</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022 (CONTINUED)**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>(Restated) Total 2022</u>
<u>LIABILITIES</u>						
Current liabilities						
Accounts payable and other liabilities	\$ 439,171	\$ 188,122	\$ 58,423	\$ 88	\$ 622,998	\$ 1,308,802
Deferred revenue	-	-	231,664	-	-	231,664
Accrued interest payable	-	26,911	-	-	-	26,911
Compensated absences	104,088	109,645	66,056	17,679	275,096	572,564
Long term debt - current portion (Note 5)	-	385,115	-	-	48,812	433,927
	<u>543,259</u>	<u>709,793</u>	<u>356,143</u>	<u>17,767</u>	<u>946,906</u>	<u>2,573,868</u>
Total current liabilities (payable from current assets)						
	<u>543,259</u>	<u>709,793</u>	<u>356,143</u>	<u>17,767</u>	<u>946,906</u>	<u>2,573,868</u>
Noncurrent liabilities						
Long term debt, less current portion (Note 5)	-	1,249,993	-	-	137,858	1,387,851
	<u>-</u>	<u>1,249,993</u>	<u>-</u>	<u>-</u>	<u>137,858</u>	<u>1,387,851</u>
Total noncurrent liabilities						
	<u>-</u>	<u>1,249,993</u>	<u>-</u>	<u>-</u>	<u>137,858</u>	<u>1,387,851</u>
Total Liabilities	<u>543,259</u>	<u>1,959,786</u>	<u>356,143</u>	<u>17,767</u>	<u>1,084,764</u>	<u>3,961,719</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Changes in the net pension liability (Note 6)	205,844	226,516	161,202	31,051	444,175	1,068,788
	<u>205,844</u>	<u>226,516</u>	<u>161,202</u>	<u>31,051</u>	<u>444,175</u>	<u>1,068,788</u>
Total Deferred Inflows of Resources						
	<u>205,844</u>	<u>226,516</u>	<u>161,202</u>	<u>31,051</u>	<u>444,175</u>	<u>1,068,788</u>
<u>NET POSITION</u>						
Net investment in capital assets	23,706,951	19,061,033	14,212,405	636,032	192,912	57,809,333
Restricted for:						
Other	-	-	-	-	6,000	6,000
Debt service	-	445,936	-	-	-	445,936
Unrestricted	1,903,943	2,828,220	1,699,402	455,816	8,094,884	14,982,265
	<u>1,903,943</u>	<u>2,828,220</u>	<u>1,699,402</u>	<u>455,816</u>	<u>8,094,884</u>	<u>14,982,265</u>
Total Net Position	<u>\$ 25,610,894</u>	<u>\$ 22,335,189</u>	<u>\$ 15,911,807</u>	<u>\$ 1,091,848</u>	<u>\$ 8,293,796</u>	<u>\$ 73,243,534</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>Total 2023</u>
<u>OPERATING REVENUE</u>						
Service charges	\$ 4,159,168	\$ 4,376,242	\$ -	\$ -	\$ (19,371)	\$ 8,516,039
Recreation events and programs	-	-	1,350,525	-	-	1,350,525
Total operating revenues	<u>4,159,168</u>	<u>4,376,242</u>	<u>1,350,525</u>	<u>-</u>	<u>(19,371)</u>	<u>9,866,564</u>
<u>OPERATING EXPENSES</u>						
Direct operating expenses	2,388,771	2,523,401	1,862,240	477,665	4,219,447	11,471,524
Allocation of operating expenses	305,748	287,406	108,176	(701,330)	-	-
Administrative and general	11,148	11,661	8,716	1,539	115,350	148,414
Depreciation and amortization	<u>1,308,486</u>	<u>1,135,151</u>	<u>603,470</u>	<u>162,933</u>	<u>140,408</u>	<u>3,350,448</u>
Total operating expenses	<u>4,014,153</u>	<u>3,957,619</u>	<u>2,582,602</u>	<u>(59,193)</u>	<u>4,475,205</u>	<u>14,970,386</u>
Operating income (loss)	<u>145,015</u>	<u>418,623</u>	<u>(1,232,077)</u>	<u>59,193</u>	<u>(4,494,576)</u>	<u>(5,103,822)</u>
<u>NONOPERATING REVENUE (EXPENSE)</u>						
Property tax revenue/CFD 94-1	-	3,050,000	1,960,509	-	2,647,843	7,658,352
Investment income (loss)	-	-	1,606	-	225,814	227,420
Grants	-	1,849,587	633,281	-	-	2,482,868
Miscellaneous revenues	27,745	71,372	17,500	-	8,298	124,915
Interest expense	-	(54,483)	-	-	-	(54,483)
Other nonoperating expenses	<u>(4,000)</u>	<u>(387)</u>	<u>(7,018)</u>	<u>-</u>	<u>-</u>	<u>(11,405)</u>
Total nonoperating revenue (expense), net	<u>23,745</u>	<u>4,916,089</u>	<u>2,605,878</u>	<u>-</u>	<u>2,881,955</u>	<u>10,427,667</u>
Income (loss) before transfers and capital contributions	<u>168,760</u>	<u>5,334,712</u>	<u>1,373,801</u>	<u>59,193</u>	<u>(1,612,621)</u>	<u>5,323,845</u>
Capital contributions	-	137,558	-	-	-	137,558
CHANGE IN NET POSITION	<u>168,760</u>	<u>5,472,270</u>	<u>1,373,801</u>	<u>59,193</u>	<u>(1,612,621)</u>	<u>5,461,403</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>25,610,894</u>	<u>22,335,189</u>	<u>15,911,807</u>	<u>1,091,848</u>	<u>8,293,796</u>	<u>73,243,534</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 25,779,654</u>	<u>\$ 27,807,459</u>	<u>\$ 17,285,608</u>	<u>\$ 1,151,041</u>	<u>\$ 6,681,175</u>	<u>\$ 78,704,937</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>(Restated) Total 2022</u>
<u>OPERATING REVENUE</u>						
Service charges	\$ 3,846,827	\$ 4,430,645	\$ -	\$ -	\$ (34,769)	\$ 8,242,703
Recreation events and programs	-	-	1,108,466	-	-	1,108,466
Total operating revenues	<u>3,846,827</u>	<u>4,430,645</u>	<u>1,108,466</u>	<u>-</u>	<u>(34,769)</u>	<u>9,351,169</u>
<u>OPERATING EXPENSES</u>						
Direct operating expenses	2,174,530	2,313,351	1,567,626	432,205	3,336,419	9,824,131
Allocation of operating expenses	247,889	228,089	85,909	(561,887)	-	-
Administrative and general	(105,777)	(115,937)	(78,401)	(14,965)	259,677	(55,403)
Depreciation and amortization	<u>1,259,488</u>	<u>1,096,683</u>	<u>574,552</u>	<u>144,646</u>	<u>24,187</u>	<u>3,099,556</u>
Total operating expenses	<u>3,576,130</u>	<u>3,522,186</u>	<u>2,149,686</u>	<u>(1)</u>	<u>3,620,283</u>	<u>12,868,284</u>
Operating income (loss)	<u>270,697</u>	<u>908,459</u>	<u>(1,041,220)</u>	<u>1</u>	<u>(3,655,052)</u>	<u>(3,517,115)</u>
<u>NONOPERATING REVENUE (EXPENSE)</u>						
Property tax revenue/CFD 94-1	938,000	-	1,667,889	-	4,392,239	6,998,128
Investment income	-	-	406	-	(72,793)	(72,387)
Grants	-	-	484,510	-	(26,538)	457,972
Miscellaneous revenues	28	61,722	1,200	-	4,640	67,590
Interest Expense	-	(69,498)	-	-	-	(69,498)
Other nonoperating expenses	-	-	20	-	1,317	1,337
Total nonoperating revenues (expenses), net	<u>938,028</u>	<u>(7,776)</u>	<u>2,154,025</u>	<u>-</u>	<u>4,298,865</u>	<u>7,383,142</u>
Income (loss) before transfers and capital contributions	<u>1,208,725</u>	<u>900,683</u>	<u>1,112,805</u>	<u>1</u>	<u>643,813</u>	<u>3,866,027</u>
CHANGE IN NET POSITION	<u>1,208,725</u>	<u>900,683</u>	<u>1,112,805</u>	<u>1</u>	<u>643,813</u>	<u>3,866,027</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>24,402,169</u>	<u>21,434,506</u>	<u>14,799,002</u>	<u>1,091,847</u>	<u>7,649,983</u>	<u>69,377,507</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 25,610,894</u>	<u>\$ 22,335,189</u>	<u>\$ 15,911,807</u>	<u>\$ 1,091,848</u>	<u>\$ 8,293,796</u>	<u>\$ 73,243,534</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Cash received from customers	\$ 4,191,034	\$ 4,422,416	\$ 1,723,806	\$ -	\$ 13,998	\$ 10,351,254
Cash paid to suppliers	(1,090,724)	(647,706)	(570,537)	(248,839)	(1,212,819)	(3,770,625)
Cash paid to employees	(1,604,547)	(1,607,804)	(1,217,802)	(223,315)	(2,950,126)	(7,603,594)
Payments (to) from other funds	<u>(305,748)</u>	<u>(287,406)</u>	<u>(108,176)</u>	<u>701,330</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>1,190,015</u>	<u>1,879,500</u>	<u>(172,709)</u>	<u>229,176</u>	<u>(4,148,947)</u>	<u>(1,022,965)</u>
<u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Property tax collected	-	3,050,000	1,965,909	-	2,617,992	7,633,901
Interfund receipts (disbursements)	(259,742)	(254,155)	(598,051)	(84,210)	1,196,158	-
Other nonoperating revenues	27,745	71,372	17,500	-	8,298	124,915
Other nonoperating expenses	<u>(4,000)</u>	<u>(387)</u>	<u>(7,018)</u>	<u>-</u>	<u>-</u>	<u>(11,405)</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>(235,997)</u>	<u>2,866,830</u>	<u>1,378,340</u>	<u>(84,210)</u>	<u>3,822,448</u>	<u>7,747,411</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Acquisition of capital assets	(954,018)	(5,032,097)	(1,277,797)	(144,966)	(84,456)	(7,493,334)
Capital grants received	-	594,145	67,743	-	-	661,888
Principal paid on capital debt	-	(385,115)	-	-	-	(385,115)
Interest paid on capital debt	-	(60,821)	-	-	-	(60,821)
Contributed capital	<u>-</u>	<u>137,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,558</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(954,018)</u>	<u>(4,746,330)</u>	<u>(1,210,054)</u>	<u>(144,966)</u>	<u>(84,456)</u>	<u>(7,139,824)</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>2023</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Investment earnings	-	-	1,606	-	225,814	227,420
Purchase of investments	-	-	-	-	(338,691)	(338,691)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>1,606</u>	<u>-</u>	<u>(112,877)</u>	<u>(111,271)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	(2,817)	-	(523,832)	(526,649)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>445,936</u>	<u>18,904</u>	<u>-</u>	<u>11,850,044</u>	<u>12,314,884</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 445,936</u>	<u>\$ 16,087</u>	<u>\$ -</u>	<u>\$ 11,326,212</u>	<u>\$ 11,788,235</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>2023</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</u>						
Unrestricted cash and cash equivalents	\$ -	\$ 445,936	\$ 16,087	\$ -	\$ 11,326,212	\$ 11,788,235
TOTAL CASH AND CASH EQUIVALENTS	\$ -	\$ 445,936	\$ 16,087	\$ -	\$ 11,326,212	\$ 11,788,235
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>						
Operating income (loss)	\$ 145,015	\$ 418,623	\$ (1,232,077)	\$ 59,193	\$ (4,494,576)	\$ (5,103,822)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	1,308,486	1,135,151	603,470	162,933	140,408	3,350,448
Net change in deferred outflows and inflows	(242,476)	(253,621)	(189,565)	(33,464)	(570,057)	(1,289,183)
Decrease (Increase) in accounts receivable	48,776	46,174	44,049	-	33,369	172,368
Decrease (Increase) in inventory	10,312	-	-	-	-	10,312
Decrease (Increase) in net pension asset	253,624	211,565	149,205	35,003	308,646	958,043
Decrease (Increase) in other assets	-	-	(10,000)	-	(68,448)	(78,448)
Increase (Decrease) in accounts payable	(333,722)	239,211	54,060	2,260	162,892	124,701
Increase (Decrease) in other liabilities	-	28,681	29,841	3,251	51,195	112,968
Increase (Decrease) in deferred revenue	-	-	329,232	-	-	329,232
Increase (Decrease) in net pension liability	-	53,716	49,076	-	287,624	390,416
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 1,190,015	\$ 1,879,500	\$ (172,709)	\$ 229,176	\$ (4,148,947)	\$ (1,022,965)

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>(Restated) 2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Cash received from customers	\$ 3,869,020	\$ 4,465,895	\$ 1,011,160	\$ -	\$ 40,362	\$ 9,386,437
Cash paid to suppliers	(1,055,361)	(780,029)	(1,567,298)	(238,435)	(1,362,277)	(5,003,400)
Cash paid to employees	(1,549,816)	(1,508,689)	(1,027,655)	(210,579)	(2,715,177)	(7,011,916)
Payments (to) from other funds	<u>(247,889)</u>	<u>(228,089)</u>	<u>(85,909)</u>	<u>561,887</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>1,015,954</u>	<u>1,949,088</u>	<u>(1,669,702)</u>	<u>112,873</u>	<u>(4,037,092)</u>	<u>(2,628,879)</u>
<u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Property tax collected	938,000	-	1,647,650	-	4,400,637	6,986,287
Interfund receipts (disbursements)	1,392,575	244,880	(22,769)	(83,645)	(1,531,041)	-
Other nonoperating revenues	28	65,271	1,200	-	-	66,499
Other nonoperating expenses	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>-</u>	<u>(23,215)</u>	<u>(23,235)</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>2,330,603</u>	<u>310,151</u>	<u>1,626,061</u>	<u>(83,645)</u>	<u>2,846,381</u>	<u>7,029,551</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Acquisition of capital assets	(3,346,557)	(1,813,304)	(1,328,798)	(29,228)	(32,400)	(6,550,287)
Capital grants received	-	-	1,090,936	-	-	1,090,936
Principal paid on capital debt	-	(370,342)	-	-	-	(370,342)
Interest paid on capital debt	<u>-</u>	<u>(75,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,593)</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,346,557)</u>	<u>(2,259,239)</u>	<u>(237,862)</u>	<u>(29,228)</u>	<u>(32,400)</u>	<u>(5,905,286)</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>(Restated) 2022</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Investment earnings	-	-	406	-	-	406
Purchase of investments	-	-	-	-	(609,566)	(609,566)
Proceeds from sale of investments	-	-	-	-	1,672,462	1,672,462
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>406</u>	<u>-</u>	<u>1,062,896</u>	<u>1,063,302</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	(281,097)	-	(160,215)	(441,312)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>445,936</u>	<u>300,001</u>	<u>-</u>	<u>12,010,259</u>	<u>12,756,196</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 445,936</u>	<u>\$ 18,904</u>	<u>\$ -</u>	<u>\$ 11,850,044</u>	<u>\$ 12,314,884</u>

See accompanying notes to the basic financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Sewer</u>	<u>Water</u>	<u>Recreation</u>	<u>Fleet & Equipment</u>	<u>General & Administrative</u>	<u>(Restated) 2022</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</u>						
Unrestricted cash and cash equivalents	\$ -	\$ 445,936	\$ 18,904	\$ -	\$ 11,850,044	\$ 12,314,884
TOTAL CASH AND CASH EQUIVALENTS	\$ -	\$ 445,936	\$ 18,904	\$ -	\$ 11,850,044	\$ 12,314,884
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>						
Operating income (loss)	\$ 270,697	\$ 908,459	\$ (1,041,220)	\$ 1	\$ (3,655,052)	\$ (3,517,115)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	1,259,488	1,096,683	574,552	144,646	24,187	3,099,556
Net change in deferred outflows and inflows	169,668	153,267	103,643	24,003	250,511	701,092
Decrease (Increase) in accounts receivable	20,585	35,250	(74,194)	-	75,131	56,772
Decrease (Increase) in inventory	1,608	-	-	-	-	1,608
Decrease (Increase) in pension asset	(308,198)	(211,565)	(149,205)	(46,146)	(308,646)	(1,023,760)
Decrease (Increase) in other assets	-	-	1	-	(187,836)	(187,835)
Increase (Decrease) in accounts payable	(391,090)	31,799	(1,044,270)	(10,164)	(113,665)	(1,527,390)
Increase (Decrease) in other liabilities	(6,804)	(7,167)	16,943	533	(4,534)	(1,029)
Increase (Decrease) in deferred revenue	-	-	(23,112)	-	-	(23,112)
Increase (Decrease) in net pension liability	-	(57,638)	(32,840)	-	(117,188)	(207,666)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 1,015,954	\$ 1,949,088	\$ (1,669,702)	\$ 112,873	\$ (4,037,092)	\$ (2,628,879)

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, 2023 AND 2022**

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.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 internal service funds.

D. Budgetary Reporting

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.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Prepaid Expenses

Certain payments for health insurance and liability insurance reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are defined by the District as assets with an initial cost of \$5,000 or more, and subscription assets with a present value of \$15,000 or more, and with an estimated useful life in excess of one year. Capital assets are stated at cost less accumulated depreciation, except for subscription assets, 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. All depreciation/amortization is computed on the straight-line basis over the following useful lives:

	<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
Subscription assets	3 - 6

L. 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 75% of their accumulated sick leave depending upon tenure and the nature of their termination. A maximum of three times the employee's annual rate of vacation may be accumulated for employees depending on the employment agreements (Union and Management). 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.

M. 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.

<u>CalPERS</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Measurement period	July 1, 2021 and June 30, 2022	July 1, 2020 to June 30, 2021

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.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Contributions

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

O. Subscription-Based Information Technology Arrangements (SBITA)

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

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

P. 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.

Q. 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.

R. 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.

S. 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, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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.

U. 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 direct operating expenses.

V. Comparative Information and Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with current year's presentation.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Implementation of Government Accounting Standards Board Statements

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

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 94

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. The District has implemented this statement. See Notes 4, 5, and 12 for the impact on the financial statements.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2023 or later and may be applicable for the District. However, the District has not determined what impact, if any, these pronouncements will have on the financial statements.

Governmental Accounting Standards Board Statement No. 99

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

Governmental Accounting Standards Board Statement No. 100

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

Governmental Accounting Standards Board Statement No. 101

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

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
<u>Cash and cash equivalents:</u>		
Unrestricted:		
Cash on hand	\$ 1,100	\$ 1,100
Unrestricted deposits in financial institutions	2,958,038	4,144,661
Deposits in Local Agency Investment Fund (LAIF)	8,829,097	8,169,123
Total cash and cash equivalents	\$ 11,788,235	\$ 12,314,884
 <u>Investments:</u>		
Unrestricted:		
U.S. government securities	\$ 703,386	\$ 457,723
Mutual funds	21,672	22,053
Certificates of deposit	902,842	1,058,253
CalPERS trust	420,019	346,628
Total investments	\$ 2,047,919	\$ 1,884,657

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, 2023 AND 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
Mutual funds	\$ 21,672	\$ 21,672	\$ -	\$ -
U.S. government securities	703,386	477,714	225,672	-
Certificates of deposit	902,842	342,315	380,259	180,268
CalPERS Trust	420,019	420,019	-	-
	<u>\$ 2,047,919</u>	<u>\$ 1,261,720</u>	<u>\$ 605,931</u>	<u>\$ 180,268</u>

Investments of the District subject to interest rate risk on June 30, 2022 are summarized as follows:

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
Mutual funds	\$ 22,053	\$ 22,053	\$ -	\$ -
U.S. government securities	457,723	-	457,723	-
Certificates of deposit	1,058,253	231,508	332,445	494,300
CalPERS Trust	346,628	346,628	-	-
	<u>\$ 1,884,657</u>	<u>\$ 600,189</u>	<u>\$ 790,168</u>	<u>\$ 494,300</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 \$2,983,418 as of June 30, 2023, 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.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment Valuation

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

The following table set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 21,672	\$ -	\$ -	\$ 21,672
U.S. government securities	-	703,386	-	703,386
Certificates of deposit	-	902,842	-	902,842
CalPERS trust	-	<u>420,019</u>	-	<u>420,019</u>
Total investments at fair value	<u>\$ 21,672</u>	<u>\$ 2,026,247</u>	<u>\$ -</u>	<u>\$ 2,047,919</u>

The following table set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 22,053	\$ -	\$ -	\$ 22,053
U.S. government securities	-	457,723	-	457,723
Certificates of deposit	-	1,058,253	-	1,058,253
CalPERS trust	-	<u>346,628</u>	-	<u>346,628</u>
Total investments at fair value	<u>\$ 22,053</u>	<u>\$ 1,862,604</u>	<u>\$ -</u>	<u>\$ 1,884,657</u>

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable, presented as current assets as of June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Service charges	\$ 796,115	\$ 871,371
Property tax	365,565	359,387
Grants	1,908,317	87,337
Other	<u>142,779</u>	<u>194,396</u>
Total accounts receivable	<u>\$ 3,212,776</u>	<u>\$ 1,512,491</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Capital assets not being depreciated					
Land and property rights	\$ 7,138,605	\$ -	\$ -	\$ -	\$ 7,138,605
Construction in progress	<u>6,732,475</u>	<u>9,534,816</u>	<u>-</u>	<u>(6,791,425)</u>	<u>9,475,866</u>
Total capital assets not being depreciated	<u>13,871,080</u>	<u>9,534,816</u>	<u>-</u>	<u>(6,791,425)</u>	<u>16,614,471</u>
Capital assets being depreciated/amortized					
Building and improvements	25,502,056	-	-	2,362,788	27,864,844
Sewer system	37,277,955	-	-	3,758,536	41,036,491
Water system	38,467,260	193,870	-	486,795	39,147,925
Vehicles and equipment	7,999,255	144,966	-	20,740	8,164,961
Furniture and office equipment	1,723,792	-	-	162,566	1,886,358
Intangible right-to-use software agreements	<u>224,793</u>	<u>296,066</u>	<u>-</u>	<u>-</u>	<u>520,859</u>
Total capital assets being depreciated/amortized	<u>111,195,111</u>	<u>634,902</u>	<u>-</u>	<u>6,791,425</u>	<u>118,621,438</u>
Less accumulated depreciation/amortization	<u>(65,435,080)</u>	<u>(3,350,448)</u>	<u>-</u>	<u>-</u>	<u>(68,785,528)</u>
Total capital assets being depreciated/amortized, net	<u>45,760,031</u>	<u>(2,715,546)</u>	<u>-</u>	<u>6,791,425</u>	<u>49,835,910</u>
Capital assets, net	<u>\$ 59,631,111</u>	<u>\$ 6,819,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,450,381</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 4: CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Capital assets not being depreciated					
Land and property rights	\$ 7,138,605	\$ -	\$ -	\$ -	\$ 7,138,605
Construction in progress	<u>3,109,960</u>	<u>6,577,935</u>	<u>(2,502)</u>	<u>(2,952,918)</u>	<u>6,732,475</u>
Total capital assets not being depreciated	<u>10,248,565</u>	<u>6,577,935</u>	<u>(2,502)</u>	<u>(2,952,918)</u>	<u>13,871,080</u>
Capital assets being depreciated/amortized					
Building and improvements	23,456,643	-	(29,046)	2,074,459	25,502,056
Sewer system	37,230,530	-	-	47,425	37,277,955
Water system	37,716,337	-	-	750,923	38,467,260
Vehicles and equipment	7,964,265	3,940	-	31,050	7,999,255
Furniture and office equipment	1,674,731	-	-	49,061	1,723,792
Intangible right-to-use software agreements	<u>-</u>	<u>224,793</u>	<u>-</u>	<u>-</u>	<u>224,793</u>
Total capital assets being depreciated/amortized	<u>108,042,506</u>	<u>228,733</u>	<u>(29,046)</u>	<u>2,952,918</u>	<u>111,195,111</u>
Less accumulated depreciation/amortization	<u>(62,335,524)</u>	<u>(3,099,556)</u>	<u>-</u>	<u>-</u>	<u>(65,435,080)</u>
Total capital assets being depreciated/amortized, net	<u>45,706,982</u>	<u>(2,870,823)</u>	<u>(29,046)</u>	<u>2,952,918</u>	<u>45,760,031</u>
Capital assets, net	<u>\$ 55,955,547</u>	<u>\$ 3,707,112</u>	<u>\$ (31,548)</u>	<u>\$ -</u>	<u>\$ 59,631,111</u>

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

<u>Fund</u>	<u>Project Description</u>	<u>Amount</u>
Sewer	National Ave. Pump Station - Transmitter Enclosures	\$ 899,998
Sewer	Packaged Satellite Sewer Pump Station Improvement	120
Water	Cybersecurity Assessment Implementation	15,786
Water	Golden and Rainbow Watermain 710	6,899,496
Water	Brockway Vista	37,941
Recreation	Wayfinding Sign	125,902
Recreation	Forest Fuels Reduction	18,573
Recreation	Wayfinding and Destination Signage	55,479
Recreation	Joint Needs Analysis	158,992
Recreation	NTEC Emergency Generator	63,824
Recreation	Regional Park Trailhead Project	57,567
Recreation	NTEC Architectural Planning Study	132,380
Recreation	NTRP Irrigation Upgrade Project	68,200
Recreation	Regional Park Tennis/Pickleball Court	936,816
General Administration	Computer Replacement	<u>4,792</u>
		<u>\$ 9,475,866</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 4: CAPITAL ASSETS (CONTINUED)

Construction in progress as of June 30, 2022 consisted of the following:

<u>Fund</u>	<u>Project Description</u>	
Sewer	N-1 Station Rehabilitation	\$ 1,160,263
Sewer	National Ave. Pump Station Rehabilitation	3,604,063
Sewer	Sewer Export System Inspection	265
Sewer	Packaged Satellite Sewer Pump Station Improvement	136,803
Sewer	S-3 Electrical Improvements	9,317
Water	Plaza Circle Water Main	1,811
Water	Lake Forest No 3 Water Main	93
Water	Kingswood West Tank SCADA	27,567
Water	Cybersecurity Assessment Implementation	1,170
Water	National Ave Water Treatment Plant	175
Water	Dollar Water Reservoir Coating	352,465
Water	Golden and Rainbow Watermain 710	876,267
Water	Water Pump Station Building	2,765
Recreation	Joints Needs Analysis	109,611
Recreation	Forest Fuels Reduction	18,573
Recreation	Wayfinding and Destination Signage	32,737
Recreation	NTEC Architectural Planning Study	6,048
Recreation	NTEC Emergency Generator	13,375
Recreation	Lower Field Stairs ADA	7,500
Recreation	TVRA Dredging Project	96,970
Recreation	Regional Park Trailhead Project	21,123
Recreation	NTEC - AV Improvements and Board Room Setup	21,513
Recreation	Wayfinding Sign	117,502
Recreation	Regional Park Stairway Rebuild	45,106
Recreation	NTPR Irrigation Upgrade Project	68,200
General Administration	Parks Office Reconfiguration	563
General Administration	Computer Replacement	630
		<u>\$ 6,732,475</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was charged to the enterprise activities as follows:

	<u>2023</u>	<u>2022</u>
Sewer	\$ 1,308,486	\$ 1,259,488
Water	1,135,151	1,096,683
Recreation	603,470	574,552
Fleet and Equipment	162,933	144,646
General and Administrative	<u>140,408</u>	<u>24,187</u>
	<u>\$ 3,350,448</u>	<u>\$ 3,099,556</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 5: LONG TERM LIABILITIES

A summary of long-term liability activity for the years ended June 30, 2023 and 2022 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Installment Note	\$ 1,635,108	\$ -	\$ (385,115)	\$ 1,249,993	\$ 400,477
Subscription (SBITA) liability	<u>186,670</u>	<u>245,212</u>	<u>(124,575)</u>	<u>307,307</u>	<u>96,331</u>
Total - June 30, 2023	<u>\$ 1,821,778</u>	<u>\$ 245,212</u>	<u>\$ (509,690)</u>	<u>\$ 1,557,300</u>	<u>\$ 496,808</u>
Installment Note	\$ 2,005,450	\$ -	\$ (370,342)	\$ 1,635,108	\$ 385,115
Subscription (SBITA) liability	<u>-</u>	<u>224,793</u>	<u>(38,123)</u>	<u>186,670</u>	<u>48,812</u>
Total - June 30, 2022	<u>\$ 2,005,450</u>	<u>\$ 224,793</u>	<u>\$ (408,465)</u>	<u>\$ 1,821,778</u>	<u>\$ 433,927</u>

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, 2023 and 2022 was \$54,483 and \$69,498, respectively. All interest during both years was expensed. Loan is collateralized by the asset described.

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

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 400,477	\$ 45,459	\$ 445,936
2025	416,452	29,484	445,936
2026	<u>433,064</u>	<u>12,872</u>	<u>445,936</u>
Total payments	<u>\$ 1,249,993</u>	<u>\$ 87,815</u>	<u>\$ 1,337,808</u>

Subscriptions (SBITAs)

The District has entered into subscription-based information arrangements (SBITAs) involving various software subscriptions. The total costs of the District's subscription assets are recorded as \$520,859, less accumulated amortization of \$127,154.

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 96,331	\$ 17,221	\$ 113,552
2025	104,425	12,377	116,802
2026	57,063	6,235	63,298
2027	<u>49,489</u>	<u>2,895</u>	<u>52,384</u>
Total payments	<u>\$ 307,308</u>	<u>\$ 38,728</u>	<u>\$ 346,036</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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 PEPRA Miscellaneous plan (PEPRA 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 PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service.

The rate plan's provisions and benefits in effect at June 30, 2023 and 2022, are summarized as follows:

Hire Date	Hired prior to January 1, 2013		Hired on or after January 1, 2013	
	2023	2022	2023	2022
Benefit Formula	2.0% @ 55		2.0% @ 62	
Benefit Vesting Schedule	5 years service		5 years service	
Benefit Payments	monthly for life		monthly for life	
Retirement Age	50		52	
Monthly Benefits, as a % of Eligible Compensation	1.462% to 2.418%		1.0% to 2.5%	
Required Employee Contribution Rates	6.92%		6.750%	
Required Employer Contribution Rates	13.350%	10.870%	7.470%	7.860%

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 years ended June 30, 2023 and 2022 were \$424,499 and \$746,276, respectively.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 6: PENSION PLAN (CONTINUED)

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

As of June 30, 2023 and 2022, the District reported a net pension liability of \$324,699 and a net pension asset of \$1,023,760, 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, 2022, and the total pension liability of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability (asset) of the Plan as of the measurement date June 30, 2022 was as follows:

Proportion - June 30, 2021	(0.05392)%
Proportion - June 30, 2022	<u>0.00694</u> %
Change - increase	<u>0.06086</u> %

The District's proportionate share of the net pension liability of the Plan as of the measurement date June 2021 was as follows:

Proportion - June 30, 2020	0.00492 %
Proportion - June 30, 2021	<u>(0.05392)</u> %
Change - decrease	<u>(0.05884)</u> %

For the years ended June 30, 2023 and 2022, the District recognized pension expense of \$483,772 and \$215,941, 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.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 6: PENSION PLAN (CONTINUED)

At June 30, 2023, 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	\$ 424,499	\$ -
Adjustment due to differences in proportions	121,532	56,796
Difference between actual and expected experience	42,721	30,012
Changes in assumptions	228,665	-
Difference between actual and required contributions	169,668	15,788
Net difference between projected and actual earning on plan investments	<u>523,121</u>	<u>-</u>
Total	<u>\$ 1,510,206</u>	<u>\$ 102,596</u>

At June 30, 2022, 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	\$ 746,276	\$ -
Adjustment due to differences in proportions	217,850	91,684
Difference between actual and expected experience	92,049	-
Difference between actual and required contributions	131,040	25,520
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>951,584</u>
Total	<u>\$ 1,187,215</u>	<u>\$ 1,068,788</u>

The reported deferred outflows of resources related to contributions subsequent to the measurement date of \$424,499 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30,</u>		
2024	\$	306,530
2025		237,725
2026		129,242
2027		<u>309,614</u>
Total	\$	<u>983,111</u>

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 6: PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return (2)	6.80% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 6: PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return

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

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

The table below reflects long-term expected real rate of return by asset class as of June 30, 2022 and 2021. 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>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00)%	(0.59)%

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

(2) Figures are based on the 2021-2022 Asset Liability Management study.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 6: PENSION PLAN (CONTINUED)

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

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

At June 30, 2023 the discount rate comparison was the following:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
Net pension liability (asset)	\$1,719,157	\$324,699	\$(822,596)

At June 30, 2022 the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Net pension liability (asset)	\$200,902	\$(1,023,760)	\$(2,036,166)

Allocation Between the District's Funds

The net pension liability has been allocated to the District's enterprise funds based on their respective percentage of total annual pensionable wages.

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, 2023 AND 2022**

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 \$12,986,413 and \$13,329,561 for years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 the amount earned on the contracts was \$8,256,175 with a remaining balance of \$4,730,238. As of June 30, 2022, the amount earned on contracts was \$5,168,086 with a remaining balance of \$8,161,475.

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.

**NORTH TAHOE PUBLIC UTILITY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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, 2021 (the most recent information available):

Total assets	\$ 140,466,966
Total liabilities	74,123,679
Net assets	66,343,287
Total income	83,706,987
Total expense	78,306,334

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: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

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

	<u>As Previously Reported</u>	<u>Restated</u>	<u>Change in Net Position</u>
Deposits and prepaid expenses	\$ 565,294	\$ 535,168	\$ (30,126)
Capital assets, net	59,415,801	59,631,111	215,310
Accounts payable and other liabilities	(1,306,496)	(1,308,802)	(2,306)
Long term debt	(1,635,108)	(1,821,778)	(186,670)
Direct operating expenses	9,829,822	9,824,131	(5,691)
Depreciation and amortization expense	3,090,073	3,099,556	<u>9,483</u>
			<u>\$ -</u>

NOTE 13: SUBSEQUENT EVENTS

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

	Measurement Period								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.00281 %	(0.01893)%	0.00191 %	0.00014 %	0.00489 %	0.00517 %	0.00411 %	0.00327 %	0.00453 %
Proportionate share of the net pension liability (asset)	\$ 324,699	\$(1,023,758)	\$ 207,666	\$ 14,642	\$ 471,608	\$ 513,101	\$ 355,920	\$ 224,584	\$ 285,489
Covered payroll	\$ 3,980,826	\$ 3,946,442	\$ 3,611,610	\$ 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	8.16 %	(25.94)%	5.75 %	0.44 %	13.43 %	15.48 %	12.31 %	7.61 %	10.22 %
Plan fiduciary net position as a percentage of the total pension liability	96.83 %	111.04 %	97.30 %	99.78 %	91.15 %	87.37 %	88.59 %	90.71 %	83.03 %

Notes to Schedule:

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

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

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

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

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2023
LAST 10 YEARS ***

	Fiscal Year-End								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 424,499	\$ 366,067	\$ 372,171	\$ 331,781	\$ 313,767	\$ 307,059	\$ 262,942	\$ 301,229	\$ 284,446
Contributions in relation to the actuarially determined contributions	<u>(424,499)</u>	<u>(746,276)</u>	<u>(372,171)</u>	<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>\$ (380,209)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (569,795)</u>	<u>\$ 8,732</u>	<u>\$ (4,238)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,795,536	\$ 3,980,826	\$ 3,946,442	\$ 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	8.85 %	18.75 %	9.43 %	8.70 %	9.40 %	8.74 %	7.93 %	10.42 %	9.64 %

Notes to Schedule:

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

Supplementary Information

**NORTH TAHOE PUBLIC UTILITY DISTRICT
COMPARISON OF BUDGET TO ACTUAL
JUNE 30, 2023**

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Service charges	\$ 8,719,639	\$ 8,719,639	\$ 8,516,039	\$ (203,600)
Recreation events and programs	1,102,388	1,102,388	1,350,525	248,137
Property taxes/CFD 94-1	6,533,300	6,533,300	7,658,352	1,125,052
Investment income (loss)	24,000	24,000	227,420	203,420
Grants	636,462	736,462	2,482,868	1,746,406
Miscellaneous	71,835	71,835	124,915	53,080
Capital contributions	-	-	137,558	137,558
	<u>\$ 17,087,624</u>	<u>\$ 17,187,624</u>	<u>\$ 20,497,677</u>	<u>\$ 3,310,053</u>
Expenses:				
Direct operating expenses	12,140,711	12,140,711	11,471,524	(669,187)
Administration and general	98,000	98,000	148,414	50,414
Depreciation	3,317,364	3,317,364	3,350,448	33,084
Interest expense	60,821	60,821	54,483	(6,338)
Other nonoperating expenses	-	-	11,405	11,405
	<u>15,616,896</u>	<u>15,616,896</u>	<u>15,036,274</u>	<u>(580,622)</u>
Total Positive(Negative) Variance	<u>\$ 1,470,728</u>	<u>\$ 1,570,728</u>	<u>\$ 5,461,403</u>	<u>\$ 3,890,675</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 and each major fund of the North Tahoe Public Utility District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2023.

Report on 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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.

MUN CPAs, LLP

Sacramento, California
November 30, 2023

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

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

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

MUN CPAs, LLP

Sacramento, California
November 30, 2023

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

<u>Federal Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Contract/ Pass-through Number</u>	<u>Passed- Through to Subrecipients</u>	<u>Expenditures</u>
<u>United States Department of Agriculture</u>				
<i>Pass-Through South Tahoe Public Utility District</i>				
State & Private Forestry Cooperative Fire Assistance	10.698	22-DG-11052012	\$ -	\$ 536,302
State & Private Forestry Cooperative Fire Assistance	10.698	22-DG-11052012	<u>-</u>	<u>1,236,185</u>
Total United States Department of Agriculture			<u>-</u>	<u>1,772,487</u>
<u>U.S. Department of the Interior</u>				
<i>Pass-Through State of California Governor's Office of Emergency Services:</i>				
Hazard Mitigation Grant Program	97.039	FEMA-4558-DR	<u>-</u>	<u>50,449</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>50,449</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,822,936</u>

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

NOTE 1: SCOPE OF AUDIT PURSUANT TO UNIFORM GUIDANCE

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance provided to \$11,405 under programs of the Federal Government for the year ended \$25,610,894. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 1: REPORTING ENTITY

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

NOTE 2: BASIS OF PRESENTATION

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

NOTE 3: CLAIMS

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

NOTE 4: INDIRECT COSTS

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

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:					
Material weakness(es) identified?	No				
Significant deficiencies identified that are not considered to be material weakness?	None reported				
Type of auditor's report issued on compliance for major programs:	Unmodified				
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance?	No				
Major programs are as follows:					
<table border="0"> <tr> <td style="text-align: center;"><u>AL Number</u></td> <td style="text-align: center;"><u>Name of Federal Program</u></td> </tr> <tr> <td style="text-align: center;">10.698</td> <td style="text-align: center;">State & Private Forestry Cooperative Fire Assistance</td> </tr> </table>	<u>AL Number</u>	<u>Name of Federal Program</u>	10.698	State & Private Forestry Cooperative Fire Assistance	
<u>AL Number</u>	<u>Name of Federal Program</u>				
10.698	State & Private Forestry Cooperative Fire Assistance				
Dollar threshold used to distinguish between type A and type B programs:	\$750,000				
Auditee qualified as low-risk auditee?	No				

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

No findings or questioned costs were reported for the year ended June 30, 2022.