Financial Statements and Report of Independent Certified Public Accountants

Douglas County Lake Tahoe Sewer Authority

June 30, 2021

Contents

Page

Independent Auditor's Report 1

Management's Discussion and Analysis 4

Financial Statements 12

- Statements of Net Position 13
- Statements of Revenues, Expenses and Changes in Net Position 15
- Statements of Cash Flows 16
- Notes to Financial Statements 17

Required Supplemental Information 34

- Schedule of Authority Contributions 35
- Schedule of Proportionate Share of the Net Pension Liability 36
- Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios 37
- Notes to Required Supplemental Information 38

Supplemental Information 39

- Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual 40
- Statement of Cash Flows – Budget and Actual 41

Compliance Section 42

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 43
- Independent Auditors' Report on Compliance for the Major Program; Report on Internal Control over Compliance Required by the Uniform Guidance 45
- Auditor's Comments 47
- Schedule of Expenditures of Federal Awards 48
- Notes to Schedule of Expenditures of Federal Awards 49
- Schedule of Findings and Questioned Costs 50

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Douglas County Lake Tahoe Sewer Authority
Zephyr Cove, Nevada

Report on the Financial Statements
We have audited the accompanying financial statements of the Douglas County Lake Tahoe Sewer Authority (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, pension information - schedule of Authority contributions on page 35, pension information – schedule of proportionate share of the net pension liability on page 36, other post-employment benefit information – schedule of changes in the Authority's total other post-employment benefit information liability and related ratios on page 37, and the notes to the required supplementary information on page 38, 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 information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The statement of revenues, expenses and changes in net position – budget and actual, and the statement of cash flows – budget and actual are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The statement of revenues, expenses, and changes in net position – budget and actual, the statement of cash flows – budget and actual, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the statement of revenues, expenses, and changes in net position – budget and actual, the statement of cash flows – budget and actual, and the schedule of expenditures of federal awards are 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 a report dated DATE PENDING, on our consideration of the Douglas County Lake Tahoe Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Authority'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 Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
November 18, 2021

Douglas County Lake Tahoe Sewer Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

June 30, 2021

As management of the Douglas County Lake Tahoe Sewer Authority (the "Authority," "DCLTSA"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021.

Financial Highlights

In October 2019, the Authority obtained a $9,000,000 loan from the State Revolving Loan Fund, to pay for rehabilitation of the more than 40-year-old aeration basins and upgrade the headworks and grit removal processes. In fiscal year 2020, the aeration basins were recoated. In this audit fiscal year, 2021, fine bubble diffusers and turbo blowers were received in preparation for bringing the aeration technology at the plant into the 21st century. A headworks package which combines grit and grease removal was installed. When all these upgrades are tied-in and put online, it is anticipated that there will be a significant reduction of nitrogen from DCLTSA's effluent byproduct, a desirable outcome according to the Nevada Division of Environmental Protection (NDEP). Ongoing energy costs for the aeration process are also expected to decrease.

As of June 30, 2021, $5,380,612 has been drawn down on the loan. During construction of the project, only debt service interest is charged at the rate of 2.08%. In fiscal year 2021, $58,250 interest was paid on the loan. The projected start-up date for the project is December 20, 2021, and payment on the loan principal will begin July 1, 2022.

Management continued to focus on expanding the Supervisory Control and Data Acquisition (SCADA) system. The SCADA system, comprised of electronic monitors and alarming components, provides real-time information about plant processes remotely. Approximately $33,000 was spent over the 2021 fiscal year to increase the capacity of the system. It is anticipated when the plant upgrades are finished and integrated into the SCADA system, it will enable management to move away from staffing the plant 10 hours on each weekend day, thereby saving on personnel costs.

DCLTSA's operations are 100% green, in that all of the wastewater taken in is processed and recycled. The biosolids are trucked over Kingsbury Grade (State Route 207) to be composted, and the treated effluent is pumped into the Carson Valley as well to be used on non-fodder crops. The original export force main to deliver the effluent was put in the ground approximately 50 years ago and with that in mind the Authority's Trustees had adopted a plan which would begin replacing it in the 2022-2023 fiscal year. However, near the end of the 2020 fiscal year, through the SCADA alarming functions, Authority operators were warned of three separate effluent line leaks in a two-month period. Having early warning minimized the damage, but it became clear that we couldn't wait to begin replacing that pipeline. Emergency replacement of the first portion of the line began in October 2020 and was completed in February of 2021 at a cost of almost $1,728,000. Following the completion of the Plant Upgrades Project, a pipeline condition assessment will be performed to determine which other portions of the Effluent Pipeline might need to be replaced in the near future.

In the 2017 fiscal year, Underground Emergency Storage Tanks were installed at the Main Pump Station located near the beach in Lake Tahoe. Soon after the project was finished, it was discovered that the tanks had buckled and were filling up with ground water. Action was immediately taken to make a claim for remediation against the general contractor and the tank manufacturer. That case settled in the 2021 fiscal year with the Authority receiving $1.4 million, and the asset was written off the books at a loss of more than $917,550.

Financial Highlights - Continued

In the 2015 fiscal year, as required by the Government Accounting Standards Board (GASB), the Authority implemented GASB Pronouncement 68. That standard required that local governments report a proportionate share of the Public Employees Retirement System (PERS) net liability on the local government's financial statements. In June 2021, Nevada PERS issued a report entitled Schedule of Employer Allocations, Schedule of Pension Amounts by Employer, and Related Notes for the Fiscal Year Ended June 30, 2020. Per that report, over the past fiscal year the Authority's proportionate share of the PERS liability decreased by $174,101 or 7.6%.

In the 2018 fiscal year, the Authority adopted GASB Pronouncement 75, which replaced GASB 45, related to Other Post-Employment Benefits (OPEB) consisting of health care benefits paid currently and in the future on behalf of retirees. GASB 45 dictated that OPEB liabilities actuarially determined and accrued since 2012 be recognized on the face of the Authority financial statements. GASB 75 states that all OPEB liabilities even prior to 2012 be recognized in the financial statements. An update to last year's actuarial evaluation was done this year by MacLeod Watts, resulting in an increase to the Authority's OPEB lability of $56,692 or 6.5%.

Following the 2019 pandemic shutdown of the Authority's biggest sewer users, the hotels and casinos in the Stateline area, business resumed and those entities that previously signed Forbearance Agreements paid their bills in a timely fashion, decreasing the Accounts Receivable figure on the Authority's financial statements from approximately $109,000 in the 2020 year to less than $71,000 in 2021. Of the remaining Accounts Receivable, more than $38,000 is for reimbursable engineering services to large construction projects, typically paid to DCLTSA within 60 days.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of two components: 1) the financial statements, and 2) notes to the financial statements that explain in more detail the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information about the Authority's accounting methods which are similar to those methods used by private-sector companies. These statements provide both long-term and short-term information about the Authority's overall financial status.

The statement of net position provides information about the nature and the amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It provides one way to measure the financial health of the Authority by providing the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial position of the Authority. However, to fully understand the Authority's financial picture it is necessary to consider non-financial factors such as changes in economic conditions, population and commercial customer growth, and new or changed government legislation.

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

Required Financial Statements - Continued

The Statement of Cash Flows reports cash receipts and payments, and net changes in cash resulting from operating, investing and financing activities and provides answers to such questions as where cash came from, what cash was used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Authority

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by almost $35.5 million at the close of the most recent fiscal year. The current fiscal year's net position is $71,926 less than the prior year's.

As can be seen in Table A-1, the largest portion of the Authority's net position reflects its investment in capital assets (i.e., sewer lines, treatment facilities, buildings, machinery and equipment). The Authority uses these capital assets to provide sewage treatment services for its customers. Consequently, these assets are not available for future spending.

20.5% or $7,275,111 of the Authority's net position represents resources that are subject to external restrictions on how those resources may be used. The remaining balance of unrestricted net position in the amount of $3,329,003 as of June 30, 2021 may be used to support operating and maintenance expenses.

While the Condensed Summary of Statement of Net Position (Table A-1) shows the change in the Authority financial position, the Condensed Summary of Revenues, Expenses, and Changes in Net Position (Table A-2) provides answers as to the nature and source of these changes. As shown in Table A-2, for the fiscal year 2021, total revenues increased by $259,514 or 4.8% The increase in revenues is due to the capital assessment rate hike, $250,000 spread to all users and designated for capital development.

Total expenses including depreciation and amortization increased $831,496 or 17.1%. That figure includes the $917,557 loss on the disposal of the Emergency Underground Storage Facility.

Sewer user charges increased by $317,524 or 6.6%, again largely attributable to the increased capital assessment, while operating expenses decreased by $197,200 or 6.4%. Nonoperating revenues increased by $36,759 or 10% attributable to higher In-Authority capacity fees.

Budgetary Highlights

The Authority adopts annual Operations and Maintenance and Capital budgets outlining the estimated expenditures for programs or projects already authorized or to be considered by the Authority's Board of Trustees. Annually, unspent funds may be carried over to the succeeding fiscal year budget if a budgetary surplus exists.

In fiscal year 2021, operating expenses including depreciation were $458,775 or 8.9% less than budgeted. The Authority initially budgeted an operating increase in net position of $39,997. However, at year end, the actual operating increase was $523,845. The loss on disposal of the Underground Emergency Storage Tanks of $917,557 resulted in an overall $71,926 decrease in net position.

Budgetary Highlights – Continued

At budget time, ahead of each fiscal year, the Authority sets operations and maintenance rates for the three contracted participating districts based on their estimated flow percentage contribution as applied to the estimated operating expenses for the coming year. At the end of every fiscal year, the rates are adjusted to reflect the actual operating expenses attributable to each district applied to the actual flow contribution. In calendar year 2020, the flow contributions changed significantly from prior years, likely due to the pandemic. Many previous second-home owners made the South Shore area of Lake Tahoe their primary residences. The commercial core of Stateline, Nevada was shut down for six months and due to masking and social distancing requirements, experienced much less business through the end of the year. Therefore, In-Authority flows decreased more than 2% from expected, but one of the participating districts increased by 1.6%. Even as applied to decreased operating expenses, for that one district this resulted in a 10.3% rate increase. The other two districts also experienced flow fluctuations but on a smaller scale. Applied to lower operating expenses, they received 3.7% and 8.8% rate decreases, which will show up as credits in the next year invoicing.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the Authority's capital assets amounted to $30,941,025 net of accumulated depreciation and amortization as shown in Table A-3, an increase of $1,723,836, attributable mostly to the Effluent Export Pipeline Replacement which took place early in the year.

During the year, $5.56 million was spent on the Authority's capital improvement projects and the replacement of antiquated equipment. $1.7 million was spent on the export pipeline replacement, and close to $3.5 million on the Plant Upgrades Project. Large pumps, more than 40 years old were replaced by in-house staff at a cost of $47,122 spread over two fiscal years., and a loader/backhoe was purchased for $55,000. Piping modifications and pump installations related to the Plant Upgrades Project were performed and continue to be performed by in-house staff, saving the Authority money rather than paying contract labor. For the 2021 year, costs for the inhouse piping and installation projects totaled more than $91,000.

In fiscal year 2022 the Plant Upgrades Project will be completed, and project planning and design work will begin on replacing the failed Underground Storage Tanks. Including debt service on the State Revolving Fund Loans, capital expenditures for the coming year will be approximately $4.8 million.

Economic Factors and Next Year's Budgets and Rates

A valid indicator of the economy in the area can be based on sewer flows within the service area. Casinos and hotels comprise the major industry in the area, accounting for 89% of all commercial flows within the Authority. The balance of revenue from in-Authority users is received from small commercial and residential users. Commercial users are assessed on metered water flows. Residential users are flat rated. Due to the pandemic shutdowns, commercial flows in 2020 decreased by 22% from the previous year. Overall, flows decreased by 18.7%.

The fiscal year 2022 budget reflects operating expenses that total $5,138,440 including depreciation and amortization, an increase of 9.2% over fiscal year 2021 actual operating expenses. The increase in estimated operating expenses is attributable to inflationary costs passed on by vendors, as well as higher fuel, chemical and employee insurance costs.

Economic Factors and Next Year's Budgets and Rates – Continued

DCLTSA is considered by the Nevada Department of Taxation to be an enterprise fund, which means that operating expenses must be covered by the sewer rates charged. For the 2022 fiscal year in-Authority residential rates were raised approximately 5.5%. Rates to the participating districts increased, according to their flow contributions, between 8% and 11%. However, because overall flows were down and commercial flows particularly, even though budgeted expenses were level with the prior year, the In-Authority commercial rate per 1,000 gallons increased almost 18.5%. The same number of expenses divided by many fewer gallons of flow results in higher rates.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Douglas County Lake Tahoe Sewer Authority, P.O. Box 578, Zephyr Cove, NV 89448.

Table A-1
Condensed Summary of Statements of Net Position

	June 30,		Increase/
	2021	2020	(Decrease)
Current, restricted and other assets	$ 15,047,306	$ 12,748,162	$ 2,299,144
Capital assets	30,941,025	29,217,189	1,723,836
Total assets	45,988,331	41,965,351	4,022,980
Deferred outflows of resources	377,662	449,574	(71,912)
Total liabilities	10,255,199	6,154,892	4,100,307
Deferred inflows of resources	655,089	732,402	(77,313)
Net position			
Invested in capital assets	24,851,591	27,290,207	(2,438,616)
Restricted	7,275,111	5,566,791	1,708,320
Unrestricted	3,329,003	2,670,633	658,370
Total net position	$ 35,455,705	$ 35,527,631	$ (71,926)

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

	June 30,		Increase/
	2021	2020	(Decrease)
Operating revenues			
Sewer user charges	$ 5,144,778	$ 4,827,254	$ 317,524
Other income	87,398	182,167	(94,769)
Nonoperating revenues	402,831	366,072	36,759
Total revenues	5,635,007	5,375,493	259,514
Operating expenses	2,895,453	3,092,653	(197,200)
Depreciation and amortization	1,812,878	1,648,966	163,912
Loss on disposal of assets	917,557	(720)	918,277
Debt service interest	81,045	32,629	48,416
Loan acquisition expense	-	101,909	(101,909)
Total expenses	5,706,933	4,875,437	831,496
CHANGE IN NET POSITION	(71,926)	500,056	(571,982)
Net position, beginning of year	35,527,631	35,027,575	500,056
Net position, end of year	$ 35,455,705	$ 35,527,631	$ (71,926)

Table A-3
Capital Assets

	June 30, 2021	June 30, 2020	Increase/ (Decrease)
Land	$ 1,103,434	$ 1,103,434	$ -
Plant and lines	53,495,375	51,680,527	1,814,848
Equipment and other assets	4,804,807	4,592,367	212,440
Leasehold improvements	798,812	798,812	-
Construction in progress	6,150,939	4,685,917	1,465,022
	66,353,367	62,861,057	3,492,310
Less: Accumulated depreciation and amortization	(35,412,342)	(33,643,868)	(1,768,474)
Net property, plant, equipment and leasehold improvements	$ 30,941,025	$ 29,217,189	$ 1,723,836

FINANCIAL STATEMENTS

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF NET POSITION

June 30, 2021

ASSETS

CURRENT ASSETS	
Cash	$ 1,463,223
Cash equivalents	5,473,085
Cash in custody of other governments	22,997
Short-term certificate of deposit investments	-
Accounts receivable	133,279
Supply inventory	31,464
Prepaid expenses	31,967
Interest receivable	709
Total current assets	7,156,724
RESTRICTED ASSETS	
Repair and replacement	
Cash	286,053
Cash equivalents	2,901,014
Short-term certificate of deposit investments	735,000
Interest receivable	2,279
	3,924,346
Construction	
Cash	110,086
Cash equivalents	3,009,575
Interest receivable	112
Restricted investments	765,153
	3,884,926
Total restricted assets	7,809,272
CAPITAL ASSETS	
Capital assets not being depreciated	7,254,374
Capital assets being depreciated, net	23,686,651
	30,941,025
OTHER ASSETS	
Deposits	81,310
Total other assets	81,310
Total assets	45,988,331

DEFERRED OUTFLOWS OF RESOURCES

Pension requirement	331,912
Postemployment retirement obligation	45,750
Total deferred outflows of resources	377,662
Total assets and deferred outflows of resources	$ 46,365,993

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF NET POSITION - Continued

June 30, 2021

LIABILITIES	
CURRENT LIABILITIES, payable from current assets	
Accounts payable	$ 356,719
Security deposits returnable	15,758
Accrued compensation and other expenses	160,377
Current portion of long-term debt	119,533
Total current liabilities payable from current assets	652,387
CURRENT LIABILITIES, payable from restricted assets	
Construction	
Accounts payable	534,161
Total current liabilities payable from restricted assets	534,161
NONCURRENT LIABILITIES	
Accrued compensation	59,458
OPEB liability	933,199
PERS proportionate liability	2,106,093
Long-term debt, less current portion	5,969,901
Total noncurrent liabilities	9,068,651
Total liabilities	10,255,199
DEFERRED INFLOWS OF RESOURCES	
Pension requirement	556,707
Postemployment retirement obligation	98,382
Total deferred inflows of resources	655,089
Total liabilities and deferred inflows of resources	10,910,288
NET POSITION	
Net investment in capital assets	24,851,591
Restricted for construction	3,350,765
Restricted for repair and replacement	3,924,346
	7,275,111
Unrestricted	3,329,003
Total net position	$ 35,455,705

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2021

Operating revenues	
Charges for services and assessments	$ 5,144,778
Other income	87,398
	5,232,176
Operating expenses	
Salaries, wages and benefits	1,839,669
Electrical and other utilities	308,427
Chemicals and supplies	71,214
Legal and accounting	86,366
Engineering and consulting	76,284
Repairs and maintenance	242,047
Insurance	81,934
Fuels and lubricants	12,460
Other operating expenses	177,052
Depreciation and amortization	1,812,878
	4,708,331
Operating gain (loss)	523,845
Nonoperating revenues (expenses)	
Consolidated taxes	137,984
Interest income	68,407
Debt service interest	(81,045)
Gain (loss) on disposal of assets	(917,557)
Loan acquisition expense	-
Capacity fees	196,440
	(595,771)
CHANGE IN NET POSITION	(71,926)
Net position - beginning of year	35,527,631
Net position - end of year	$ 35,455,705

Douglas County Lake Tahoe Sewer Authority

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2021

Cash flows from operating activities:	
Cash received from customers	$ 5,272,437
Cash payments to suppliers for goods and services	(879,532)
Cash payments to employees for services including benefits	(1,955,140)
Deposits refundable	-
Net cash provided by operating activities	2,437,765
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(5,862,011)
Consolidated taxes	137,984
Cash received for capacity fees	196,440
State revolving fund loan proceeds	4,278,351
Cash from settlement of lawsuit	1,400,000
Debt service interest	(81,045)
Payments on long-term debt	(115,899)
Net cash used in capital and related financing activities	(46,180)
Cash flows from investing activities:	
Redemption of investments	2,450,000
Purchase of restricted investments	(428,737)
Interest income on investments	82,659
Net cash provided by investing activities	2,103,922
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,495,507
Cash and cash equivalents at beginning of year	8,770,526
Cash and cash equivalents at end of year	$ 13,266,033
Reconciliation of operating loss to net cash provided by operating activities:	
Operating gain (loss)	$ 523,845
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:	
Depreciation and amortization	1,812,878
Net pension expense	(105,921)
Net other post employment benefits expense	(16,889)
Change in assets and liabilities:	
Supply inventory	31
Prepaid expenses	80,067
Accounts receivable	80,750
Deposits refundable	-
Accounts payable and accrued liabilities	63,004
Total adjustments	1,913,920
Net cash provided by operating activities	$ 2,437,765

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Authority's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Reporting Entity

The Authority was originally formed as Douglas County Sewer Improvement District No. 1 ("District") in 1953 to provide a public agency for collection, treatment, and disposal of sewage from the unincorporated area known as Stateline, Nevada. After Douglas County proposed an Ordinance to take over the District, and the Ordinance was not passed, in 2017 the Nevada State Legislature heard and adopted Senate Bill 472, now codified as Nevada Revised Statute 335, abolishing the District and replacing it with the Douglas County Lake Tahoe Sewer Authority (the Authority). All duties of the District, all assets, liabilities, contracts, and accounting procedures were transferred to an adopted by the Authority at the time of the switch-over.

Governmental Accounting and Financial Reporting Standards, adopted by the Governmental Accounting Standards Board, set forth the criteria for determining oversight responsibility. Manifestations of oversight responsibility, which the Authority possesses, include (1) financial interdependency, (2) accountability for fiscal matters, (3) ability to select the governing authority, (4) the ability to designate management, and (5) the ability to significantly influence operations. The Authority is located in Douglas County, Nevada; however, it is not included in or part of the financial statements of Douglas County.

The Authority's financial statements have been prepared on the basis of the governmental proprietary fund concept, as adopted by the Governmental Accounting Standards Board. The governmental proprietary fund concept provides that activities operated in a manner similar to private business enterprises and financed through fees and charges assessed primarily to the users of the services, be presented as a single enterprise fund.

Certain liquid assets of the Authority are restricted for emergency repair and replacement and construction, and are thus categorized separately on the Statement of Net Position. The sources and nature of these restrictions are discussed in Note C.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Proprietary funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Their reported net position is segregated into invested in fixed assets, restricted and unrestricted components. Under the accrual basis of accounting method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority has one proprietary (enterprise fund), which accounts for all of its assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues, expenses and capital contributions.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of the enterprise fund are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Capacity fees are charged to a third party for the purchase of the capacity right of gallons per day of average daily flow in the treatment plant facilities and are recognized as revenue when such rights are sold.

The properties within the boundaries of this Authority are charged annual assessments for maintenance, operation and modification of the system. In addition, four other participating districts are charged annual assessments for their share of maintenance, operation and modifications of the system. Annual assessments are recognized as revenue when the services are provided.

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

3. Budgets and Budgetary Accounting

The Authority adheres to the Local Government Budget Act incorporated within Statutes of the State of Nevada. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Appropriations lapse at year-end. Budget amounts may be transferred within accounts of the Authority if amounts do not exceed the original budget. Such budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Trustees. In accordance with the Statutes, actual expenditures may not exceed budget appropriations of the sum of operating and non-operating expenses of the Authority. An encumbrance system is not utilized by the Authority.

3. Cash and Cash Equivalents

The Authority considers cash and all short-term investments with original maturities of three months or less to be cash equivalents, as well as cash in custody with the State of Nevada.

4. Accounts Receivable

The Authority considers receivables at June 30, 2021 to be fully collectible; therefore, no allowance for doubtful accounts is required.

5. Inventories

All inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

6. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

New capital assets and construction projects are capitalized when completed and/or placed in service.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property, plant, equipment and leasehold improvements of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not depreciated
Facilities	25-50 years
Plant lines	15-30 years
Equipment and other assets	3-20 years
Leasehold improvements	Over life of lease

7. Accrued Vacation and Sick Leave

All vacation pay is accrued in the financial statements when it is earned. The Authority's employee policies allow employees to buy-out or be paid for a portion of their vacation leave on a yearly basis. Remaining vacation time may be accumulated by employees at fiscal year-end up to 240 hours and compensatory time may be accrued up to 96 hours. Unused vacation and compensatory hours up to the maximum accrual are payable to employees upon retirement or termination. Additionally, employees receive accrued sick pay of up to 960 hours, at 25% of their current hourly rate upon retirement or voluntary termination. The financial statements reflect the vacation and compensatory time accrual plus 25% accrual of sick pay for all employees calculated at the June 30, 2021 rate of pay.

8. Pensions

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. The Authority has pension and Other Post-Employment Benefit (OPEB) related amounts that qualify for reporting in this category. Pension related deferred outflows of resources are discussed in depth in Note H and Note I, respectively.

In addition to liabilities, the Statements of Net Position includes a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. The Authority has pension and OPEB related amounts that qualify for reporting in this category. Pension related deferred inflows of resources are discussed in depth in Note H and Note I, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Equity Classifications

Equity is classified as net position and displayed in three components:

Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position – consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net position that does not meet the definition of "invested in capital assets" or "restricted."

10. Fair Value

The Authority follows the provisions of the fair value measurement standard which defines the fair value of assets, establishes a framework for measuring the fair value of assets, and outlines the required disclosures related to fair market measurements. The standard defines fair value 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."

The standard established a fair value hierarchy for disclosure that classified inputs for valuation techniques into three levels as follows:

Level 1 – Observable inputs are readily available quoted prices (unadjusted) for *identical* assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – Inputs for the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs are unobservable for an asset or liability in which there is little or no market data. Assets in this category generally include investments where independent pricing information was not obtainable for a significant portion of the underlying assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

11. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Authority include the accrued other post-employment benefits (OPEB) and PERS net pension liability. Actual results could differ from those estimates.

NOTE B - COMPLIANCE WITH NEVADA REVISED STATUTES (NRS) AND THE NEVADA ADMINISTRATIVE CODE

The Authority conformed to all significant statutory constraints on its financial administration during the year.

NOTE C - RESTRICTED ASSETS

1. Repair and Replacement

As provided under the Authority ordinance dated April 18, 2003, annexation and out-of-Authority capacity fees charged for connection to the Authority's sewage system shall be deposited in the repair and replacement accounts and restricted as to application for the purpose of making emergency repairs, reconstructing repairs or expanding the Authority's sewage system.

2. Construction

As provided under the Authority ordinance dated April 18, 2003, special assessments collected from properties within this Authority, and the participating districts with whom the Authority is engaged by contract to provide wastewater treatment, are restricted to capital expenditures for the construction and improvements of the Authority's sewage system.

NOTE D - CASH AND CASH EQUIVALENTS

As of June 30, 2021, the Authority has cash deposits in the amount of $1,859,362 and the amount is carried at cost. The bank's balance of $1,933,679 is FDIC insured up to $250,000, and fully collateralized with the Nevada State Collateral Pool, as described below.

In the case of deposits, custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is to voluntarily participate in the Nevada State Collateral Pool for public fund deposits. Depository banks are required to place acceptable securities of no less than 102% market value of the total deposits of public entities in Nevada with a third-party custodian. The collateral pool is administered and monitored by the Nevada State Treasurer's Office. Due to its participation in the Nevada State Collateral Pool, the Authority's deposits were fully insured and collateralized, and as such, were not exposed to any custodial credit risk at June 30, 2021.

Cash equivalents consist of deposits in the Nevada State Local Government Investment Pool (LGIP), deposits in interest bearing checking and money market accounts and certificates of deposit investments having an initial maturity date of three months or less. At June 30, 2021, cash equivalents of $9,854,639 are on deposit with LGIP and $1,529,036 are on deposit in interest bearing checking and money market accounts. In addition, cash in custody of other governments is considered a cash equivalent.

NOTE C - RESTRICTED ASSETS - Continued

Cash and cash equivalents totaled the following at June 30, 2021:

Operating	
Cash	$ 1,463,223
Cash equivalents	5,473,085
Cash in custody of other governments	22,997
Repair and replacement	
Cash	286,053
Cash equivalents	2,901,014
Construction	
Cash	110,086
Cash equivalents	3,009,575
	$ 13,266,033

NOTE E - INVESTMENTS

The Authority's investment holdings as of June 30, 2021 consisted of certificates of deposit, which are categorized as Level 2 investments in accordance with the fair value hierarchy.

1. Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as interest rate risk and credit risk may affect fixed income securities, which are particularly sensitive to credit risks and changes in interest rates.

Nevada Revised Statute sections 355.165, 355.167, and 355.170 authorize the Authority to invest in obligations of the U.S. Treasury, certificates of deposit, and money market mutual funds which are registered with the Securities and Exchange Commission, are rated "AAA" by a nationally recognized rating service, and in securities issued by the federal government or agencies of the federal government. All of the Authority's investments meet those criteria.

2. 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. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's Investment Policy requires that investments mature in no more than three years, with at least 60% of the investment portfolio maturing in less than three years. The certificates of deposit are "laddered" in such a way that three (3) certificates of deposit of $245,000 each will mature before June 30, 2022. These policies minimize the Authority's interest rate risk. The weighted average maturity is 4.9 months.

NOTE E - INVESTMENTS - Continued

3. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Authority manages credit risk by diversifying its investments by institution, and continuously investing a portion of its portfolio in pooled investment funds, money market accounts and interest-bearing checking accounts to ensure appropriate liquidity. At June 30, 2021, the following investments exceed 5% of the Authority's total investments:

Bank	Percentage
Comenity Capital Bank	33%
Goldman Sachs Bank	33%
State Bank of India	33%

NOTE F - PROPERTY, PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, plant, equipment and leasehold improvements consist of the following as of June 30, 2021:

	2020	Additions	Deletions	2021
Capital assets being depreciated				
Wastewater reclamation plant and lines	$39,705,566	$ 1,814,848	$ -	$ 41,520,414
Collection lines	1,881,779	-	-	1,881,779
Equipment and other assets	4,592,367	256,843	(44,404)	4,804,806
Leasehold improvements	798,812	-	-	798,812
Effluent disposal facility	10,093,182	-	-	10,093,182
	57,071,706	2,071,691	(44,404)	59,098,993
Less accumulated depreciation and amortization				
Wastewater reclamation plant and lines	(24,035,076)	(1,186,112)	-	(25,221,188)
Collection lines	(1,004,270)	(63,200)	-	(1,067,470)
Equipment and other assets	(2,363,377)	(358,391)	44,404	(2,677,364)
Leasehold improvements	(798,811)	(240)	-	(799,051)
Effluent disposal facility	(5,442,334)	(204,935)	-	(5,647,269)
	(33,643,868)	(1,812,878)	44,404	(35,412,342)
Net capital assets being depreciated	23,427,838	258,813	-	23,686,651
Capital assets not being depreciated				
Land	1,103,434	-	-	1,103,434
Construction in progress	4,685,917	5,638,985	(4,173,962)	6,150,940
Net capital assets not being depreciated	5,789,351	5,638,985	(4,173,962)	7,254,374
	$29,217,189	$ 5,897,798	$ (4,173,962)	$ 30,941,025

NOTE F - PROPERTY, PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS - Continued

During the year ended June 30, 2021 the Authority settled in an action involving the failure of an Underground Storage Facility constructed during the 2017 fiscal year. Within months of the time it was put into service, it began leaking groundwater into the tanks. Action was immediately taken to make a claim for remediation against the general contractor and the tank manufacturer. After attempts at a judicial settlement conference and private mediation failed, litigation commenced. The costs of the construction in progress which were written off as part of the settlement was $2,317,557 and the Authority received a cash settlement of $1,400,000.

NOTE G - LONG-TERM DEBT

Note 1: On May 25, 2006, the Authority entered into a loan contract with the State of Nevada in order to complete Phases II and III of the Reservoir Lining Project. The maximum amount available on that contract from the "Clean Water State Revolving Fund" was $2,000,000. Interest on loan funds disbursed under that contract accrues interest at the rate of 3.2375%, payable semiannually on January 1st and July 1st, of each year. In connection with that loan, the Authority delivered a $2 million bond to the State Treasurer as collateral. Seven draws were made on the loan in the total amount of $1,225,304. Principal and interest payments are due on this loan twice a year in the amount of $45,392. During the 2021 year, $75,478 of the loan principal was repaid, leaving the Authority with a balance of $415,990 at June 30, 2021. In connection with this loan, $225,853 of the Authority's funds are held by the Local Government Investment Pool as collateral and are restricted for use by the Authority.

Note 2: On August 28, 2007, the Authority entered into another loan contract with the State of Nevada to complete the main pump station Redundant Force Main Project. The maximum amount available on the contract from the "Clean Water State Revolving Fund" was $1,200,000. Those loan funds accrue interest at the rate of 2.875%, payable semiannually on January 1st and July 1st, of each year. In connection with that loan, the Authority delivered a $1.2 million bond to the State Treasurer as collateral. Two draws were made on the loan in the total amount of $694,766. Principal and interest payments are due twice a year in the amount of $24,857. During the 2021 year, $40,421 of the loan principal was repaid, leaving the Authority with a balance of $292,832 at June 30, 2021.

Note 3: On October 3, 2019, the Authority entered into a third loan contract with the State of Nevada to complete the rehabilitation of its aerations basins and install other treatment plant upgrades. The maximum amount available on the contract from the "Clean Water State Revolving Fund" is $9,000,000. In connection with this loan, at the time of each draw, ten percent (10%) of the draw amount is transferred to the Authority's bond reserve account at the Local Government Investment Pool as collateral and is restricted for use by the Authority. Interest on loan funds disbursed under the most recent contract accrues interest at the rate of 2.08%, payable semiannually on January 1st and July 1st, of each year. In connection with that loan, the Authority delivered a $9.0 million bond to the State Treasurer as collateral. During the 2021 fiscal year, eight (8) draws were made on the loan in the amount of $4,278,351. On June 30, 2021, the balance of the loan was $5,380,612. During the pendency of construction, only interest payments are due twice a year and the amount is calculated on the amount drawn to the date of the interest payment. Following the completion of construction or three years after the loan contract was signed, payments will come due twice a year on principal and interest both. During the 2021 year, $58,250 was paid as interest on the third loan.

NOTE G - LONG-TERM DEBT – Continued

Following is a summary of the activity in the notes payable account regarding the above-three loans for the year ended June 30, 2021:

	Principal Outstanding June 30, 2020	Additions/ Issued	Payments	Principal Outstanding June 30, 2021	Current Portion June 30, 2022
Direct Borrowing					
Note 1	$ 491,468	$ -	$ 75,478	$ 415,990	$ 77,942
Note 2	333,253	-	40,421	292,832	41,591
	824,721	-	115,899	708,822	119,533
Construction loan					
Note 3	1,102,261	4,278,351	-	5,380,612	-
	$ 1,926,982	$ 4,278,351	$ 115,899	$ 6,089,434	$ 119,533

The annual requirements to amortize the existing principal drawn on the 2006 and 2007 loans are as follows:

	Direct Borrowing *		
	Principal	Interest	Total
Years ending June 30,			
2022	119,533	20,964	$ 140,497
2023	123,281	17,216	140,497
2024	127,147	13,350	140,497
2025	131,135	9,362	140,497
2026	135,248	5,249	140,497
2027-2028	72,478	2,094	74,571
	$ 708,822	$ 68,235	$ 777,056

*Annual requirements do not include the construction loan Note 3 as it was not finalized at June 30, 2021.

The Authority's outstanding note 3 allows for a ten-day grace period. A penalty in the amount of .1% of the defaulted payment will be due for each day of nonpayment beyond the grace period. In addition, note 3 may be terminated upon violation of any material provision of the loan contract after such violation has been called to the attention of the Authority and after failure of the Authority to bring itself into compliance within a reasonable time as established by the State of Nevada.

NOTE H - PENSION PLAN

1. Plan Description

The Authority contributes to the Public Employees Retirement System (PERS or the System), a cost-sharing, and multiple-employer defined benefit public employees' pension plan administered by the State of Nevada. PERS has 217 participating employers. There are no non-employer contributing entities identified in the 2020 GASB 68 Report or the 2020 CAFR issued by the System. PERS provides retirement benefits, disability benefits, annual cost-of-living adjustments, and death benefits to plan members, both Regular and Police/Fire classes, and beneficiaries. The Authority's employees

NOTE H - PENSION PLAN - Continued

are considered Regular members. The System was established by the Nevada Legislature in 1947, and the provisions are set forth in Nevada Revised Statutes Chapter 286. PERS issues a Comprehensive Annual Financial Report, which may be obtained by writing to the Public Employees Retirement System of Nevada, 693 West Nye Lane, Carson City, Nevada 89703 or by visiting the website at www.nvpers.org.

A. Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010 and July 1, 2015.

Monthly benefit allowances for members are computed as 2.50% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010 there is a 2.50% service time factor and for members entering the System on or after July 1, 2015, there is a 2.25% factor. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-579.

1. Plan Description - Continued

B. Vesting

Regular plan members entering the System prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular plan members entering the System on or after January 1, 2010 are eligible for retirement at age 65 with five years of service or age 62 with 10 years of service, or any age with thirty years of service. Regular members who entered the System on or after July 1, 2015 are eligible for retirement at age 65 with 5 years of service, at age 62 with 10 years of service, at age 55 with 30 years of service, or any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985 is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

C. Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. Contributions are shared equally by employer and employee. The Authority is an Employer-Paid agency which means that employees take a reduced salary and the contributions are paid by the Authority.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

NOTE H - PENSION PLAN - Continued

The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased or decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Actuarial Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal years ended June 30, 2020 and 2021 the Statutory Employer-Pay contribution rate for Regular Members was 29.25%. For the coming fiscal year ended June 30, 2022 the Statutory Employer-Pay contribution rate for Regular Members will be increased to 29.75%. With the adoption of GASB 82, in the 2018 fiscal year, one-half of the contribution is considered employees' salaries, and their portion of the contribution. The Authority's contributions were $167,064 for the year ended June 30, 2021.

2. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Authority reported a liability of $2,106,093 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's allocation percentage of the net pension liability was based on the employer portion of the total contributions due on wages paid during the measurement period relative to the total employer contributions for all employers for the period ended June 30, 2020. At June 30, 2020, the Authority's portion was .01512 percent of the total, which was a decrease of .0016% from its proportion measured at June 30, 2019.

For the year ended June 30, 2021, the Authority recognized pension expense of $61,143. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 65,435	$ 27,195
Changes of assumptions	59,158	-
Net difference between projected and actual earnings on investments	-	79,560
Changes in proportion and differences between actual contributions and proportionate share of contributions	40,255	449,952
Contributions subsequent to the measurement date	167,064	-
	$ 331,912	$ 556,707

The $167,064 reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2022. The net difference between projected and actual investment earnings on pension plan

NOTE H - PENSION PLAN - Continued

2. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continue

investments will be recognized over five years, all the other above deferred outflow and deferred inflows will be recognized over the average expected remaining services lives, which was 6.13 years for the measurement period ending June 30, 2020. The amount reported as deferred outflows/(inflows) of resources will be recognized in pension expense as follows:

Reporting period ending June 30,	
2022	(142,021)
2023	(94,356)
2024	(75,385)
2025	(39,856)
2026	(35,746)
2017	(4,495)
	$ (391,859)

3. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Payroll Growth	5.00%, including inflation
Productivity pay increases	0.5%
Projected salary increases	4.25% - 9.15%, depending on service and including inflation and productivity increases
Investment rate of return	7.50%
Consumer Price Index	2.75%
Post-Retirement Benefit increases	2.75%, in line with inflation

Mortality rates for all non-disabled members (Regular and Police/Fire) age 50 and over were based on the Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scape MP-2016, set forward one year for spouses and beneficiaries. For all non-disabled members under the age of 50, mortality rates were based on the Headcount-Weighted RP-2014 Employee Mortality Tables adjusted by the ration of the mortality rate for members at age 50 to the mortality rate at age 50 from the Employee mortality tables used for age 50 and over. The mortality rates for ages less than 50 are then projected to 2020 with Scale MP-2016. The mortality table used in the actuarial valuation to project mortality rates for all disabled members (Regular and Police/Fire) is the Headcount-Weighted RP-2014 Disabled Retiree Table, set forward four years.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial valuation completed that same date. There were no changes in actuarial assumptions since the preceding valuation.

NOTE H - PENSION PLAN - Continued

3. Actuarial Assumptions - Continued

The following was the PERS' Board adopted policy target asset allocation as of June 30, 2020:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic equity	42%	5.50%
International equity	18%	5.50%
Domestic fixed income	28%	0.75%
Private markets	12%	6.65%

**As of June 30, 2020, PERS' long-term inflation assumption was 2.75%*

Discount rate. The discount rate used to measure the total pension liability was 7.50% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2020 was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Pension liability discount rate sensitivity. The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
The Authority's proportional share of the net pension liability	$ 3,284,691	$ 2,106,093	$ 1,126,176

The System's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on the employer contributions relative to the total employer contributions for all employers for the period ended June 30, 2020.

NOTE I - OTHER POST-EMPLOYMENT BENEFITS

1. Plan Description

Authority Plan. Since September 1, 2008, the Authority has had in place a single-employer post-employment benefits program available to retirees of the Authority. The Plan provides eligible employees who retire from the Authority the ability to continue their coverage under the health plans offered by the Authority to its active employees, including medical, dental, vision and life insurance coverage. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB No 75. No separate financial reports are issued.

PEBP. The Authority's employees who retired prior to September 1, 2008 were enrolled in the State of Nevada Public Employees' Benefit Plan (PEBP). Public employees who met the eligibility requirements for retirement had the option upon retirement to continue group insurance including medical, dental, vision, accidental death and dismemberment, travel accident, long-term disability, mental health, substance abuse and life insurance benefits. Nevada Administrative Code 287.530 bestowed this benefit upon the retiree. The Authority also provides OPEB for certain former employees through the Nevada Public Employees' Benefits Plan (PEBP), which is treated as a single-employer defined benefit OPEB plan for reporting purposes. PEBP is administered by the State of Nevada, and as such, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75. The measurement focus of PEPB is the total OPEB liability associated with participating former Authoirty employees. No separate financial reports are issued.

2. Funding Policy

Authority Plan. The Authority has adopted a schedule to determine its contribution to each retiree's OPEB benefits based on the amount of time each retiree has served Nevada government employers. That OPEB schedule will be reviewed on an annual basis, as part of the budgeting process, and may be amended by the Board of Directors. In July 2009, the first actuarial study was done by Bickmore Risk Associates, and funding options were thereafter considered by the Authority's Board. Due to the small size of the Authority and its few employees, it was determined the Pay-As-You-Go method would be adopted.

For fiscal year 2021, the Authority contributed $27,089 for current premiums. Plan members receiving benefits contributed varying amounts depending on the types and levels of coverage sought, and the number of people under their plans selected, up to a maximum of $589 per month.

PEBP. Public employers' contributions for each fiscal year, and sometimes fiscal quarters are determined by the Nevada State Department of Administration, Budget Division. For Authority retirees currently on the PEBP benefits plan, the retiree's monthly contributions are deducted from pension checks. The cost varies depending on which health plan the retiree chooses as well as the amount of the subsidy paid by the Authority. The Authority pays its required contribution monthly when PEBP invoices are received.

For fiscal year 2021, the Authority's contributions toward the PEBP plan totaled $17,874. These amounts vary by year due to state Department of Administration changes in the subsidy limits.

NOTE I - OTHER POST-EMPLOYMENT BENEFITS - Continued

3. Employees covered by benefit term

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Authority Plan

Active employees	11
Retirees and surviving spouses	8
Active plan members	19

PEBP

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to, but not yet receiving benefit payments	-
Active plan members	-
	6

4. Actuarial Methods and Assumptions

The actuary firm of MacLeod Watts, performed a valuation of the Authority Plan and the PEBP, dated June 30, 2019 with a roll forward measurement date of June 30, 2020.

Actuarial valuations include projections of the sharing of benefit-related costs that are based on labor association agreements and an established pattern of practice. The total OPEB liability in the actuarial valuation for each plan was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified.

	Authority Plan	PEBP
Valuation date	6/30/19	6/30/19
Actuarial cost method	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay
Inflation	2.5% per year	2.5% per year
Healthcare cost trend rates	5.3% in 2021, fluctuates to ultimate rate of 4% in 2075	5.3% in 2021, fluctuates to ultimate rate of 4% in 2075
Salary increases	4%	Not applicable; retirees only
Discount rate	3.13%	3.13%
Retirement age	45 to 75	Not applicable; retirees only
Mortality	Headcount weighted RP 2014 Healthy Annuitant (includes MP 2014 proj to 2014)	Headcount weighted RP 2014 Healthy Annuitant (includes MP 2014 proj to 2014)
Mortality Improvement	MW Scale 2018 proj from 2018 forward	MW Scale 2018 proj from 2018 forward

5. Discount Rate

The discount rate is the same for both Plans. The discount rate at the roll forward measurement date was 2.45% reflecting the change in the municipal bond rate, for Fidelity Municipal Bond AA 20 Year Maturity Yield as of June 30, 2020. The discount rate at the 2019 valuation date was 3.13% based on the Fidelity Municipal Bond AA 20 Year Maturity Yield as of June 30, 2019. Benefit payments are funded on a pay-as you go basis.

NOTE I - OTHER POST-EMPLOYMENT BENEFITS - Continued

6. Changes in OPEB liabilities

	Authority Plan	PEBP	Total
Balance, July 1, 2020	$ 552,351	$ 324,156	$ 876,507
Changes for year			
Service cost	12,920	-	12,920
Interest	17,199	9,862	27,061
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions or other inputs	42,634	23,824	66,458
Benefit payments	(31,569)	(18,178)	(49,747)
Net changes	41,184	15,508	56,692
Balance, June 30, 2021	$ 593,535	$ 339,664	$ 933,199

7. Sensitivity of the total OPEB liability to changes in the discount rate

	1% Decrease in Discount Rate -1.45%	Discount Rate -2.45%	1% Increase in Discount Rate -3.45%
Authority Plan	$ 666,611	$ 593,535	$ 532,566
PEBP	380,090	339,664	305,531
Total OPEB liability	$ 1,046,701	$ 933,199	$ 838,097

8. Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

	1% Decrease	Health Care Cost Trend	1% Increase
Authority Plan	$ 593,535	$ 593,535	$ 593,535
PEBP	307,437	339,664	377,013
Total OPEB liability	$ 900,972	$ 933,199	$ 970,548

9. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Authority recognized OPEB expense of ($4,825) for the Authority Plan and $33,686 for the PEBP, for a total OPEB expense of $28,861.

NOTE I - OTHER POST-EMPLOYMENT BENEFITS - Continued

9. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

For the year ended June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows related to OPEB for the 2021 year as follows:

	Authority Plan	PEBP	Total
Deferred outflows of resources			
Changes of assumption	$ -	$ -	$ -
Differences between expected and actual experiences	-	-	-
Net difference between projected and actual earnings on investments	-	-	-
Contributions subsequent to the measurement date	27,876	17,874	45,750
Total	$ 27,876	$ 17,874	$ 45,750
Deferred inflows of resources			
Changes of assumption	$ 17,185	$ -	$ 17,185
Differences between expected and actual experiences	81,197	-	81,197
Net difference between projected and actual earnings on investments	-	-	-
Total	$ 98,382	$ -	$ 98,382

Deferred outflows of resources from employer contributions subsequent ot the measurement date in the amount of $45,750 will be recognized as a reduction in the OPEB liability in the year ending June 30, 2022.

Amounts reported as deferred outflows of resource and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Reporting period ending June 30,	Authority Plan	PEBP
2022	$ (34,944)	$ -
2023	(32,835)	-
2024	(25,599)	-
2025	(8,948)	-
2026	3,944	-
	$ (98,382)	$ -

REQUIRED SUPPLEMENTAL INFORMATION

Douglas County Lake Tahoe Sewer Authority

SCHEDULE OF AUTHORITY CONTRIBUTIONS
Public Employees' Retirement System of Nevada

Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	$ 167,064	$ 157,579	$ 161,415	$ 160,670	$ 167,155	$ 181,723	$ 152,122	(Historical information prior to the implementation of GASB 67/68 is not required)		
Contributions in relation to the statutorily required contribution	(167,064)	(157,579)	(161,415)	(160,670)	(167,155)	(181,723)	(152,122)			
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
Authority's covered payroll	$ 1,185,519	$ 1,124,090	$ 1,246,144	$ 1,245,377	$ 1,264,884	$ 1,307,235	$ 1,324,729			
Contributions as a percentage of covered payroll	14.09%	14.02%	12.95%	12.90%	13.22%	13.90%	11.48%			

Douglas County Lake Tahoe Sewer Authority

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Authority's proportion of the net pension liability	0.01512%	0.01672%	0.01725%	0.01861%	0.02096%	0.01960%	0.02070%	(Historical information prior to the implementation of GASB 67/68 is not required)		
Authority's proportionate share of the net pension liability	$ 2,106,093	$ 2,280,194	$ 2,352,581	$ 2,474,613	$ 2,820,680	$ 2,245,886	$ 2,155,697			
Authority's covered payroll	$ 1,185,519	$ 1,124,090	$ 1,246,144	$ 1,245,377	$ 1,264,884	$ 1,307,235	$ 1,324,729			
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	178%	203%	189%	199%	223%	172%	163%			
PERS fiduciary net position as a percentage of the total pension liability	77.04%	76.46%	75.20%	74.40%	72.20%	75.13%	76.31%			

Douglas County Lake Tahoe Sewer Authority

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Service cost	$ 12,920	21,297	$ 20,692	$ 22,256						
Interest	17,199	26,369	26,071	23,140						
Change of benefit terms	-	-	-	-						
Differences between expected and actual experience	-	-	-	-						
Changes in assumptions or other inputs	42,634	(180,296)	(4,615)	(52,851)						
Benefit payments	(31,569)	(44,318)	(48,965)	(53,303)						
Net change in total OPEB liability	41,184	(176,948)	(6,817)	(60,758)						
Total OPEB liability - beginning of year	552,351	729,299	736,116	796,874						
Total OPEB liability - ending of year	$ 593,535	$ 552,351	$ 729,299	$ 736,116						

PEBP

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Service cost	$ -	$ -	$ -	$ -						
Interest	9,862	8,029	8,538	8,279						
Change of benefit terms	-	-	-	-						
Differences between expected and actual experience	-	-	-	-						
Changes in assumptions or other inputs	23,824	103,248	(1,438)	(17,250)						
Benefit payments	(18,178)	(17,814)	(32,468)	(36,978)						
Net change in total OPEB liability	15,508	93,463	(25,368)	(45,949)						
Total OPEB liability - beginning of year	324,156	230,693	256,061	302,010						
Total OPEB liability - ending of year	$ 339,664	$ 324,156	$ 230,693	$ 256,061						

*No assets are held in trust for either Plan.

Douglas County Lake Tahoe Sewer Authority

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2021

NOTE A - OTHER POST-EMPLOYMENT BENEFIT

Changes of assumptions: In the June 30, 2019 actuarial valuation, the discount rate changed from 3.62% to 3.13%.

Changes of assumptions: In the June 30, 2020 roll forward actuarial measurement, the discount rate changed from 3.13% to 2.45%.

SUPPLEMENTAL INFORMATION

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

June 30, 2021

	Final Augmented Budget	Actual	Variance - Favorable (Unfavorable)
Operating revenues			
Charges for services and assessments	$ 5,194,103	$ 5,144,778	$ (49,325)
Other fees, revenue	13,000	87,398	74,398
Total operating revenues	5,207,103	5,232,176	25,073
Operating expenses			
Salaries, wages and benefits	2,112,338	1,839,669	272,669
Electrical and other utilities	341,505	308,427	33,078
Chemicals and supplies	84,250	71,214	13,036
Legal and accounting	100,850	86,366	14,484
Engineering and consulting	104,000	76,284	27,716
Repairs and maintenance	257,450	242,047	15,403
Insurance and other operating expenses	318,850	258,986	59,864
Fuels and lubricants	24,860	12,460	12,400
Depreciation and amortization	1,819,263	1,812,878	6,385
Total operating expenses	5,163,366	4,708,331	455,035
Operating gain (loss)	43,737	523,845	480,108
Nonoperating revenues			
Consolidated taxes	137,984	137,984	-
Interest income	113,000	68,407	(44,593)
Gain (loss) on disposal of assets	-	(917,557)	(917,557)
Capacity fees	-	196,440	196,440
Total nonoperating revenues	250,984	(514,726)	(765,710)
Nonoperating expenditures			
Debt service interest	157,718	81,045	76,673
Total nonoperating expenditures	157,718	81,045	76,673
INCREASE (DECREASE) IN NET POSITION	$ 137,003	$ (71,926)	$ (208,929)

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF CASH FLOWS - BUDGET AND ACTUAL

Year Ended June 30, 2021

	Final Augmented Budget	Actual	Variance - Favorable (Unfavorable)
Cash flows from operating activities:			
Cash received from customers	$ 5,207,103	$ 5,272,437	$ 65,334
Cash payments to suppliers for goods and services	(1,231,765)	(879,532)	352,233
Cash payments to employees for services including benefits	(2,112,338)	(1,955,140)	157,198
Net cash provided by operating activities	1,863,000	2,437,765	574,765
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(5,400,000)	(5,862,011)	(462,011)
State revolving fund loan proceeds	4,700,000	4,278,351	(421,649)
Consolidated taxes	137,984	137,984	-
Cash received for capacity fees	-	196,440	196,440
Debt service interest	(157,718)	(81,045)	76,673
Cash from settlement of lawsuit	-	1,400,000	1,400,000
Payments on long-term debt	(115,899)	(115,899)	-
Net cash used in capital and related financing activities	(835,633)	(46,180)	789,453
Cash flows from investing activities:			
Redemption of investments	-	2,450,000	2,450,000
Restricted investments	-	(428,737)	(428,737)
Interest income on investments	113,000	82,659	(30,341)
Net cash provided by investing activities	113,000	2,103,922	1,990,922
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,140,367	4,495,507	3,355,140
Cash and cash equivalents at beginning of year	7,184,621	8,770,526	1,585,905
Cash and cash equivalents at end of year	$ 8,324,988	$ 13,266,033	$ 4,941,045

COMPLIANCE SECTION

EideBailly

CPAs & BUSINESS ADVISORS

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 Trustees
Douglas County Lake Tahoe Sewer Authority
Zephyr Cove, Nevada

We have audited, 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, the financial statements of Douglas County Lake Tahoe Sewer Authority(the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 18, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Reno, Nevada
November 18, 2021

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Douglas County Lake Tahoe Sewer Authority
Zephyr Cove, Nevada

Report on Compliance for the Major Federal Program

We have audited Douglas County Lake Tahoe Sewer Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program
In our opinion the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Reno, Nevada
November 18, 2021

EideBailly

CPAs & BUSINESS ADVISORS

Auditors' Comments

To the Board of Trustees
Douglas County Lake Tahoe Sewer Authority
Zephyr Cove, Nevada

In connection with our audit of the financial statements the financial statements of Douglas County Lake Tahoe Sewer Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the Authority failed to comply with the specific requirements of Nevada Revised Statutes. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Current Year Statute Compliance
The Authority conformed to all significant statutory constraints on its financial administration during the year.

Progress on Prior Year Statute Compliance
There were no potential statute violations reported in the June 30, 2020 audit report.

Current Year Recommendations
There were no recommendations for the year ended June 30, 2021.

Progress on Prior Year Recommendations
There were no recommendations for the year ended June 30, 2020.

Eide Bailly LLP

Reno, Nevada
November 18, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Non-Federal Expenditures
Environmental Protection Agency				
Passed through Nevada Department of Conservation & Natural Resources				
CWSRF Cluster				
Clean Water State Revolving Loan Fund	66.458	CS-32000119	$ 907,016	$ 20,432
Clean Water State Revolving Loan Fund	66.458	CS-32000120	426,689	-
Total Environmental Protection Agency			1,333,705	20,432
Total Federal Financial Assistance			$ 1,333,705	$ 20,432

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Douglas County Lake Tahoe Sewer Authority (the Authority) under programs of the federal government for the year ended June 30, 2021. The information 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). Because the schedule presents only a selected portion of the operations of the Douglas County Lake Tahoe Sewer Authority, it is not intended to and does not present the financial position, changes in fund balance, or cash flows of Douglas County Lake Tahoe Sewer Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Organization does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Note 4 - Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Authority has determined that no identifying number is assigned for the program or the Authority was unable to obtain an identifying number from the pass-through entity.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Clean Water State Revolving Loan Fund	66.458

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

None reported

Section III – Federal Award Findings and Questioned Costs

None reported